

**A STUDY ON RIGHT SHARE PRACTICE AND ITS
IMPACT ON STOCK PRICE**

A THESIS

SUBMITTED BY:

**NIM PRASAD ADHIKARI
NEPAL COMMERCE CAMPUS
T.U. REGISTRATION NO. 5-1-49-628-97
EXAM ROLL NO. 1327/062
CAMPUS ROLL NO.698/060**

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RECOMMENDATION

This is to certify that the thesis

Submitted by

Nim Prasad Adhikari

Entitled

A Study on Right Share Practice and Its Impact on Stock Price

has been prepared as the form approved by this department in the prescribed format for the faculty of Management. This thesis is forwarded for examination.

.....
(Dr. Bihari Binod Pokharel)
Head of Research Department
and Thesis Supervisor

.....
(Suresh Sapkota)
Thesis Supervisor

.....
(Mr. Diwakar Pokharel)
Campus Chief

Date:

VIVA-VOCE SHEET

We have conducted the **VIVA-VOCE** examination of the thesis presented

By

Nim Prasad Adhikari

Entitled

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and found the thesis is to be the original work of the student written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the Degree of **Master of Business Studies (M.B.S.)**.

VIVA-VOCE COMMITTEE:

Chairperson, Research Committee.

Member, Thesis Supervisor

Member, Thesis Supervisor

Member, External Expert

Date:

DECLARATION

I hereby declare that the thesis entitled “ *A Study on Rights Share Practice and Its Impact on Stock Price*”, submitted to office of the Dean, Faculty of Management, Tribhuvan University is my original work done in the form of partial fulfillment of the requirement of Master in Business Studies (M.B.S), under the guidance and supervision of **Professor Dr. Bihari Binod Pokharel and Mr. Suresh Sapkota** , Nepal Commerce Campus.

Nim Prasad Adhikari
Nepal Commerce Campus
(Researcher)
T.U. Regd.:5-1-49-628-97

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ABBREVIATIONS

A.D	Anno Domini
B.S	Bikram Shambat
B/S	Balance Sheet
BOD	Board of Director
DCBL	Development Credit Bank Limited
DOF	Degree Of Freedom
DPS	Dividend per Share
EPS	Earning per Share
FY	Fiscal Year
IPO's	Initial Public Offerings
KBL	Kumari Babk Limited
LBL	Lumbini Bank Limited
Ltd.	Limited
MBL	Machhapruchhre Bank Limited
MBS	Master in Business Studies
NEPSE	Nepal Stock Exchange
NIBL	Nepal Investment Bank Limited
NIDC	Nepal Industrial Development Corporation
NRB	Nepal Rastra Bank
PL A/C	Profit and Loss Account
Pvt. Ltd.	Private Limited
SEBO	Security Exchange Board
SMC	Securities Marketing Center
T-cal	calculated value of t
T-tab	tabulated value of t
V _r	Valuation of Right
V _s	Versus

CHAPTER - I

INTRODUCTION

1.1 Background of The Study

Nepal is an under-developed, land-locked country. Nepal has the lowest per capita income of 297 US dollars among the SAARC country in south Asia. Due to the political situation, poor resource mobilization, government policies and regulation, big companies in Nepal still faces more problems. After political revolution of 2046, some industries, financial institution were came into existence. But political instability and security problem effect for their day to day operation. The investor, Nepalese and outsider, were not desire to invest in Nepalese firms due to security reason. Large companies, firms always face problems to collect the adequate capital. Hence to collect the adequate capital and to mobilize in low risky, returnable sector is the main problem for Nepalese firms and companies.

Fund is most important for every firms & companies. It is prerequisite for development, expansion, competition in market of any business organization. Without fund, any company can't run their day to day operation, facing threats & grab opportunities. Long term financial decision effect the value of firm. Thus the fund has very strong role on each firm & company.

When the company is formed, it obviously must be financed. Often the seeds money comes from the founders and their families and friends. For some companies, this is sufficient to get things launched and with retained earning no more equity is needed. In other situations, equity infusions are necessary.

Securities transaction is a major component of the capital market system. Securities market exists in order to bring together, buyers and sellers of securities, meaning their mechanisms are created to facilitate the exchange of financial assets. In the securities market, various security instruments such as, common stock, preference stock, debenture, bonds and treasury bonds etc. are traded. It can be further classified into primary market and secondary market.

"Securities" mean shares, stock, bond, debenture, debenture stock issued by a corporate body or a certificate relating to unit saving scheme or group saving scheme issued by any corporate body in accordance with the prevailing laws or negotiable certificate of deposit or treasury bill issued by Nepal Government and it includes the securities issued under full guarantee of Nepal Government or securities as prescribed by His Majesty's Government by a notification published in the Nepal Gazette or receipts relating to deposits of Securities as well as rights and interest relating to Securities.

Every newly established company fulfills their financial requirement through issue of equity share. The companies firstly collect funds promoter shareholder and under the rules & act, the company issue equity share to general investors. But for the time begins, new market, competition, expansion, diversification may arise. At that situation, additional funds must be needed to exist and to compete in the business. Some firms need to raise funds to comply with the direction of higher authority. For e. g. in Nepal, Nepal Rastra Bank (NRB) promulgate a directive in Manshir 10, 2053 to all commercial banks throughout the kingdom of Nepal that all commercial banks must have minimum paid up capital of Rs. 500 million by the end of fiscal year 2057/ 058. Another directive also has been issued by NRB that paid up capital should be Rs 1000 million for such commercial banks by the fiscal year 2068/069. But now, new direction has been issued that for the commercial banks. Due to associated in WTO, to compete globalization, new established and existing banks should have paid up capital of Rs 2000 million up to mid July 2010. New fund can either be bonus share, right share or retained earning. Such directions helps to banks to maintain their liquidity problem, preserve shareholder rights, wealth & make easier to those industries who needs large capital.

The firms & companies can raise fund from different sources such as bond, debenture, preference share, right offering. Among them, right offering is the most important and major instrument. Right offering is the preemptive right to the existing shareholder to buy new additional shares. If the new common stocks are issued giving right to purchase first by the existing shareholders than it is called right offering. Each shareholder is issued an option to

buy a certain number of new share and the terms of the option are contained on a piece of paper called right. Each shareholder receives one right for each share of stock he owned.

Thus the right offering is privileged given to the existing shareholder that they can keep their control & position proportionately before and after the right offering. In a rights offering, also known as a subscription right, a company offers existing shareholders the opportunity to buy additional shares of company stock in proportion to the number they already own before any new shares are offered to the public. Such an offering is usually mandated by the corporate charter. The company provides right offering in many aspects such as to increase equity fund, number of share outstanding, NRB directives, for proper capital ratio, cost of capital etc.

Nepal has no longer history for the right offering. In Nepal, security board of Nepal has been incorporated under the security exchange act 1983, on May 26, 1993. Since the established period, SEBON has involved effort for regulation, monitoring the security exchange processes. Right offering process in Nepal is also regulated by the SEBON. In Nepalese capital market, Nepal finance and Saving Company Limited is the first company which issued right offering on 1st December 1995. Since 1993, 80 companies are offered right offering up to fiscal year 2007/08. Some companies offered twice or thrice during this period. Among the total securities issued during this period, 54.53 % covers by the right offering. This shows the importance and practice of right offering in Nepalese capital market.

Right have intrinsic financial value. Exercise price under right offering is normally below the market price. Theoretically the price of stock after right offering should be decreased. There should not be changed total value of shareholder. Sales of stock below market price will dilute the price of stock and will be detrimental to present stock holder and beneficial to those who purchases new shares. Due to speculation of investors, the price of stock may fluctuate time to time.

For the financial decision about the right offering, the company should have consider many considerations like government directions, regulation, cost of funds & its mobilization, stakeholders expectation etc. If there is against the government rule, the company could not collect the funds through right offering. There will be bad impression about the company in market and company may have to face many problems. But now, in case of commercial banks, every commercial banks have one of best way to raise fund through right offering because of NRB directives that to raise equity capital Rs 2000 million up to mid July 2010.

Companies collect funds and invest it profitable sectors. But there is associated with profitable investment. Sometimes the company may loose their principal value. So they should rank their investment on the basis of return and risk. According to this ranking, the company should reserve for future by its earned profit. In case of commercial bank, NRB has ranked the investment and the banks should have adequate reserve and equity capital in certain percentages as stated by NRB. This ranked investment is known as risk weighted assets and ratio on capital is capital adequacy ratio. Form the right offering the company can solve capital adequacy ratio problem as stated by NRB rule and regulation.

Hence this study is mainly based on practice of right share announcement and its impact on stock price in context of Nepalese stock market.

1.2 Statement of Problems

Right offering is an instrument to raise the fund. It is considered as best &major practice for raising fund. Right offering helps to control the power and value of existing shareholders. Right offering is a process of raising funds by issuing additional new shares to existing shareholder with a prescribed price within the certain timeframe. Right offering have certain terms like as number of rights required purchasing one additional share, subscription price, application procedure, recoded date etc. a shareholder should have enlisted his name in company's book to get the right for new share. The company announces that a certain proportion of right for all shareholders in a fixed purchase price for every new share on the

basis of share that they owned. The purchase price additional new share through right is normally below than existing market price. To get right, every investor wants to enlist their name on company's book. So, large number of investor rushes to buy shares and to get benefits from right offering. On the other side, existing shareholders, willing is to sell the shares at higher price as possible. Thus this double side pressure, the price of share increased rapidly. But after record date, most of shareholder wants to sell the shares after receiving benefit from right. Then price of share will decrease.

Theoretically, total value of shareholder should not change through right offering. After record date, price of share will decrease by the value of right. The market value of ex-right stocks plus the value of right and should be equal to the value of stock before right. But in practice of Nepalese capital market, theory does not satisfy in each context. Due to the inefficient capital market and lack of rational investors, price of share after offering does not follow principle. The price of shares of some companies is some are increased. Some constant, companies shares accept the principle and decrease after record date. Some of stock price fails to decline by the value of right. If the stock price does not decline, the investors should loose if they ignore the right offering. Thus, the main problem of this study is to finding that does the price of share is affected by the right offering or not. It means that the impact of right offering on the price of share in Nepalese context.

Generally when company sells share by privileged subscription it mails to its shareholder a right for each shares he owned. Right offering is a negotiable option. A shareholder has normally three options as

-) Subscribe to the rights in full
-) Sell the rights to others
-) Ignore the rights and let them to terminate

Right offering are two types "renounce able rights" and "non-renounce able rights". Renounce able rights are transferable and traded while non- renounce able rights do not have

such feather. Renounce able rights are more popular due to its good feather. But in Nepalese capital market, only non- renounce able rights are in practice. Lack of instruments of right transfer, there is more problems arise on subscription of rights. With the help of transferable instrument, the shareholders who have not willing to exercise right can sell to other. But if they don't sell or exercise the right, their total value and power ultimately decrease due to the right offering. Hence, another problem of this study is to determine the total value loose by those shareholders who do not exercise the right in full partial.

This study is focused on the impact of rights offering announcement in the share price movement of Nepalese Corporation. Rights offering announcement by a company serves good news to its existing shareholder. A shareholder, whose name is in the company's book before record date, is entitled to have a proportionate number of new shares at a price below market price. Hence, before the record date there will be great demand of shares attached with rights. Demand is increase because large numbers of people rush to the secondary market in order to solicit their name in the company's book before the record date, so that they can enjoy the benefits of rights offering.

On the other hand, for the existing shareholders there will be a temptation to sell their stock at a price much higher than currently prevailing in the market and still others do not want to sell their shares rights – on. Obviously, there will be decrease in the supply of shares rights – on. Such a phenomenon drives the price of the share to the upward direction. If the company's current market price is far more than its par value and the issue prospectus has shown a forecast of profitable balance sheets for a few years to come, this rise in price after announcement.

According to aforementioned statement, the price of share rise after the announcement of rights offering and decrease after the holder of record date, as per the value of rights. However the past researches have shown mix results. Only few companies follow the principle. Most of the companies don't follow the theory.

Thus this study mainly deals with the following issues:

1. What are the practice and contribution of right offering announcement in context of Nepalese capital market?
2. Does the share price of stock change through right share announcement of a commercial bank?
3. What are the mechanism and problems that enforced to issue right share to a commercial bank?
4. What are the prospects for issuing of right share in Nepalese capital market?

1.3 Objective of The Study

The main objective of the study is to find out the causes of the right offering announcement and its impact on market price movement of share. The study covers three interrelated aspects of the right offering announcement: 1, the characteristics of right offering by the listed companies in Nepal Stock Exchanges (NEPSE) 2, the share price movement of the company before and after the right share announcement.

The main objectives of this study are as follows:

-) To analyze the practice and contribution of right offering announcement in context of Nepalese capital market.
-) To identify the movement of stock price before and after the announcement of right share.
-) To analyze the procedure and problems associated with right offering announcement in context of Nepalese stock market.
-) To recommend some suggestion that would be fruitful to solve the problems associated with right offering.

1.4 Significance of The Study

It is implied that everyone wants to maximize his/her wealth in a proper and safe way. They always Endeavour to invest in such a sector which provides adequate return form their hard earned money. Nowadays people are becoming more aware to select and invest in proper means of investments. Among them bank's fixed deposit is one of them but productive sector like industrial, trading, services, banking etc. whatever may be the type of investment, the major motto is to maximize the return with minimizing risks involved there on. The major investment in financial instrument for this purpose is the investment in equity share capital. Such equity holder we known as shareholder because they share their hard earned money on capital.

Because of security condition, unstable government, lower interest rates in Bank's investors are attracted towards the capital market. Still nowadays people are very interested to invest their hard earned money in the capital market. They invest their fund in capital market to get attractive return. Achieving or getting the return from invested amount is a crucial factor for investors to invest or not. While investing in capital market investors get return from two ways. One is receiving the proper return from equity as a dividend. Second is capital gain return from selling stocks when the market price is higher then the par value of the stocks. In Nepalese case, due to the lack of enough knowledge people looses their return so that is needs to established clear concept about return that creates the investment environment in capital market. The study may be helpful for public to choose the securities and time period of investment. This is also helpful for the policy maker to formulate the appropriate policy and procedures of right offering. From the research the investor might have clear concept over rights issue and its impact on price of share. This is also helpful for government to make policy, control and monitoring process.

1.5 Limitation of The Study

This study is mainly based on the above stated objectives. This study fulfills the partial requirement of MBS Degree. This study mainly based on right offering announcement, cause

and its impact on stock price in Nepalese listed companies. Therefore it includes only those listed companies which announce the right offering. This study subject to some limitation which affects for this study is stated below:

1. This study includes the data during the period from 1993/94 to 2007/08.
2. Only right share announcing is taken for the study. Among 80 listed on SEBON and right announcing companies are taken as samples.
3. This study is assumed that the related published and unpublished documents, journals, articles and previous study are realistic.
4. This study mostly based on the secondary data, collected from SEBON, concerned organization as well as different financial journals.
5. This study heavily focuses on right offering and its impact on stock price movement, not entire whole capital market in context of Nepalese capital market.

1.6 Organization of The Study

The study “Right share offering and its impact on stock price of a company” has been divided in five main chapters. Each chapter devotes to some aspects of study on right share offering, causes and practice and its impact on share price movements commercial banks and financial intuitions in Nepal. The study consists as following chapters:

Chapter one: Introduction of the Study

This chapter will represent about introduction of the study, it includes background of the study, objectives of the study, significance of the study, statement of he problem and limitation of the study.

Chapter two: Review of Literature

This chapter deals with the conceptual framework and the review of relevant research studies, articles, banking journals, books, websites etc related to the study.

Chapter three: Research Methodology

This chapter describes the research methodology employed in this study. It includes the introduction, research design, nature and sources of data, data analysis tools, sampling procedure and definition of some key term.

Chapter four: Presentation and Analysis of Data

This chapter covers analysis presentation, and interpretation of the acquired data, which was collected through the designed methodology. Data are presented in tabular, graphic or in an equation form to achieve per stated objectives. This chapter produces a shape to facilitate the analysis of relevant data in an attractive way.

Chapter five: Summary, Conclusion and Recommendations

This chapter contains summary of findings, conclusion, and Recommendations that can be useful for academicians as well as for practitioners.

A bibliography included at the end of the study, which is a systematic list of used sources of reference during entire study. All necessary appendices are also included after bibliography.

CHAPTER – II

REVIEW OF LITERATURE

2.1 Introduction

This chapter mainly focused on the concept and meaning on the topic practice of right share announcement and its impact on stock price and other terms relating with right offering. It is a way to discover what other research in the area of our problem has uncovered. It provides the clear vision what facts and finding had done what should we have to do? Scientific research must be based on past knowledge. The previous studies can not be ignored because they provide the foundation to the present study. In other words, there has to be continuity in research. In this chapter we review in more details the terms relating with right offering. In order to make this study more comprehensive, it is important to study systematically and effectively of relevant literatures, dissertation and important suggestions of investigators, experts etc.

2.2 Conceptual Review

Since Nepal has no longer experience on securities market, right offering may be the new practice for Nepalese organizations. There is various ways for financing to a firm but when a new firm is formed the sources of fund is limited. Equity capital financing is the one of the best alternative. A public held corporation can raise the equity capital either by selling equity directly to the investors or issuing the rights to its shareholders. Right offering is mainly concern with raising additional fund through equity capital. When the company issue shares to the public, the stock flotation is known as Initial Public Offering. Under the Nepalese Security Act, once equity capital issued to public, the company has restriction to issue new equity capital directly to public. Thus right offering is one of the best alternatives to generate additional fund through equity capital. *[Pandey, 1999, p: 1002]*

2.2.1 Venture Capital

Venture capital represents the funds provided by investors to startup firms and small businesses with perceived, excellent growth prospects but does not have access to capital markets. Seeds money collected through various sources to form a new company is initial financing. Venture capital includes the equity and debt capital. It can also include managerial and technical expertise. This is a very important source of funding for startups firm that do not have access to capital markets and typically entails high risk for the investor but has the potential for above-average returns. For the new company, debt financing sometimes are provided, but for the most part, common stock is involved. It is the key to success of growing business firm or organization. Most venture capital comes from a group of wealthy investors, investment banks and other financial institutions that pool such investments or partnerships. The venture capital activity is quite advanced in developed countries. [*Van Horne, 2002, p: 536*]

2.2.2 Common Stock (Equity) Capital

Equity capital is the most important fund for every firm as long term capital. Equity capital is defined as the amount of capital provided by the company's owner(s). A share of stock is the smallest unit of ownership in a company. Ownership equity is the remaining interest in all assets after all liabilities are paid. Ownership equity is the last or residual claim against assets, paid only after all other creditors are paid. Shareholders may allow different priority ranking among themselves by the use of share classes, and options. Common stock certificates are the legal document that evidence of ownership for in a company that organized as corporation.

Formally, owners' equity is also a form of liability, but is deemed separate and different from other liabilities since it is a residual interest, ranked last in the series; equity is generally considered to be an asset. Shareholders' equity is ownership equity spread out among shareholders whose class of share may have special rights attached to it. If all shareholders are in one and the same class, they share equally in ownership equity from all perspectives.

The book value of equity will increase if the firm's assets increase more than its liabilities. Common stocks are marketable instruments that can be easily sold by its holders. Common stocks are highly liquid for the most part. Common stock holder has the legal control over the organization. Investors invest into common stock expecting the high rate of dividend and capital gain when they sell the stocks at the end of holding period. Common stock holder has voting, controlling, managing rights for the corporation. They bear the greater risk so that they also expect higher return on their investment. [*Khan and Jain, 2000, p: 467*]

2.2.3 Initial Public Offering

When a company wants to raise funds from the public the company issues securities. Initial Public Offering is the first sale of stock by a private company to the public. IPO are often issued by smaller, younger companies seeking capital to expand, but can also be done by large privately-owned companies looking to become publicly traded. "This announcement for public to raise capital is known as Initial Public Offering. Public offering involves raising the funds for the government or company through the issue of securities in the primary market. Often it may be the major source of obtaining large sum of fixed rate of long term funds" (*SEBO Journals, 2004, Vole I*)

In the words of Van Horne "If the private firm is successful usually the owners will want to take the company with a sale of stock to outsiders. Often this prompted by venture capitalists, who wish to realize a cash return on their investment. In other situation, the founders simply want to establish a value and liquidity for their stock. Whatever the motivation, a decision reached to become a public company. Although there are advantages to being public company, there are also demerits. The public company must conform to SEC requirements in having a board of directors, disclosing sensitive information, having to employ certain accounting conventions and incurring expenses as a public company not incurred by private one. At times this is a hindrance to management trying to take long term decision." [*Van Horne, 2002, p 578*]

Issue of equity capital obviously creates a value of the firm and no doubt it is the major source of capital. The public offering is increasing order the year in the developed and developing countries. It can either underwriting and sold to general public or sold to the existing shareholders through right offering. In an IPO, the issuer obtains the assistance of an underwriting firm, which helps it determine what type of security to issue (common or preferred), best offering price and time to bring it to market. The investment bankers manage the issue of securities and find the potential investors. The investment bankers act as a middle man who undertake the securities from company and sold them to potential investors. Investors purchasing stock in IPO generally must be prepared to accept considerable risks for the possibility of large gains. IPO by investment companies usually include underwriting fees that represent a load to buyers.

By issuing publicly treated equity, the firm establishes both values for the company and market for the common stock. This enhance liquidity for the firms' shares allows the company to raise capital on more favorable terms since it no longer needs to compensate investors for liquidity associates privately held firm. With these benefits however, come costs. In particular, there are ongoing costs for publicly traded firm associated with need to supply information on regular basis to investors and regulations. Furthermore there are one time costs associated with IPO that can be categories direct cost and indirectly costs like legal, administrative, auditing, underwriting commission, price dilution associated with selling of offering etc. IPO can be a risky investment. For the individual investor, it is tough to predict what the stock will do on its initial day of trading and in the near future since there is often little historical data with which to analyze the company. Also, most IPO are of companies going through a transitory growth period, and they are therefore subject to additional uncertainty regarding their future value.

2.2.4 Right Offering

When a company has to generate funds through equity capital than right offering is the best alternative. The easy way of raising additional equity capital is offering right. When the

company issues shares to its existing shareholder the stock flotation called right offering. Each shareholder receives one right for each share of stock he owned.

“A rights issue involves selling of ordinary shares to the existing shareholders of the company” [Pandey, 1988, p.1015].

A publicly held company can raise equity either by selling equity directly to investors or issuing subscription right to its existing shareholders. When a company charter or bylaw preemptive rights, existing shareholders have legal right to buy new issuing shares. If there not such provision, the company can choice making the sale of shares to its existing shareholders or directly to investors. Nepalese Company Act 2053, Section (42) stated that of a company wants to increase its capital and issue additional shares than existing shareholders will have first right (privilege) to buy such shares.

"A corporation offering to existing shareholders prior to public distribution is termed as right offering. A preemptive right is the privilege of existing shareholders to participate in a right offering. Shareholders are granted preemptive right either by common stock law or explicitly by the corporate charter. A corporation may have to amend the article of its incorporation to limit or deny this preemptive right." [Betty, Bhagat and Jefferis, 1994, PP: 170]

Right offering provides the opportunity to the shareholders to purchase the additional shares at a prescribed price within the fixed time period which is below the market price. Generally price is discounted to make offer attractive and encourage the shareholders. When a company sells securities by privileged subscription, it mails to its shareholder one right for each share of stock held. This right gives the option to purchase additional shares. The terms of right offering mention about the number of share required to purchase one right, time period and subscription price.

2.2.4.1 Preemptive Right

It is the right to preserve the proportionate ownership of the existing shareholders. It offers to existing shareholders to purchase specified number of additional shares before offer to outsider investors. It is the right granting to shareholders the first opportunity to buy a new issue of stock; provides protection against dilution of the shareholder's ownership interest. Preemptive is the right of certain stockholders to maintain ownership of a constant percentage of a firm's stock. Such stockholders have the first opportunity to purchase new stock in the firm proportionate to the percentage of shares already held. [*I bid, p.10019*].

If the company charters such preemptive right, the existing shareholders are entitled right to purchase the new shares on pro-rata basis that maintain his/her proportionate ownership. Preemptive right protects shareholder ownership against dilution value of stock. The legal right of existing shareholders to purchase the additional new shares issued by company in the proportionate way that their current ownership does remain constant is known as preemptive right. "Under preemptive right, existing common stock holders have right to preserve their proportionate ownership in the company" *Van Horne (2000, PP570)*.

A privilege offered to existing shareholder for buying a specified number of additional shares before the stock is offered to the outsiders for sale. [*Weston & Copeland, 1992, p: 906*].

2.2.4.2 Characteristics of Right Offering

Studying about right offering, following characteristics of right can be summarized:

1. The number of rights that a shareholder gets is equal to the number of share held by him/her.
2. The right issuing company determines the number of rights required to subscribe for an additional share.
3. In capital market, rights are negotiable instrument. It can sell to other.
4. The price per share for an additional share, called subscription price is left to discretion of the company.
5. Right can use within specified time period which is fixed at the time of issue.

2.2.4.3 Merits of Right Offering

Right offering is the cheapest method to generate additional share capital for the company. In the view of investors they can purchase additional share through right which is below than market price. Some merits of right offering can be categorized as follows:

1. The existing shareholder can maintain their position due to pro-rata issue of share.
2. The investors (shareholder) have the option to exercise or ignore the right offering.
3. Right offering is less expensive way of raising fund than underwritten public offering. It involves less flotation cost, direct and indirect cost than public offering as the company can avoid underwritten commission.
4. In case profitable companies, such issue is more likely to be successful since the subscription price is set much below the current market price.

2.2.4.4 Demerits of Right Offering

However there are many merits of right offering, it has some disadvantages also. It gives benefits for the both, the investors and Issue Company. But there are some demerits as follows:

1. If the shareholder fails to exercise the right, he/she loose his/her wealth proportion.
2. The companies whose shareholders are concentrated in the hands of financial intuitions because of conversion of loan into than right issue.
3. If the company can't earn the same proportion through capital from right offering as earlier, the earning per share will decline. This impact perception of investors.
4. There will chance of ignore the right offering if the shareholder perceived non-profitable for the company.

2.2.4.5 Procedure of Right Offering

When stocks are traded in stock exchange during announcing period, then the investor may get problems. Who will get the right? To avoid this contradiction, board of directors (BOD) establishes a date record. Investor who buy the shares prior to that date, receive right to

subscribe the new share. The investor who buys the shares after the recorded date does not receive the right to subscribe new additional shares. Thus to make the right offering comfortable and easier, certain procedure are involved as follows:

a) Declaration Date

Managers are responsible to manage the company, however some crucial decisions are made by the representatives of stockholders and those are called board of directors (BODs). So the firm should be under the direction BOD. BODs meet and with the help of management declare right offering. That makes the rising of capital of the firm. The BODs meeting declares the issue the right offering under the preemptive right of the existing shareholders for a particular date. That date is called declaration date. The BODs meeting also clearly declare that who can purchase the right. For e.g. The BODs met on November 1 and declared right offering under the pre-emptive right of the existing shareholders. The meeting also declared that, to purchase the additional shares, the shareholders must record their name until Dec 15.

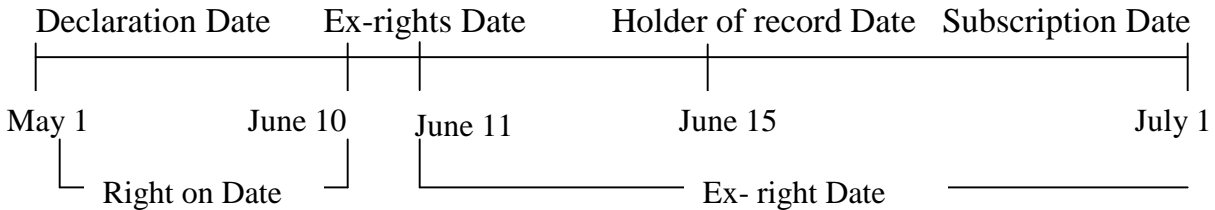
b) Ex-right Date

It is the date on and after which the right no longer goes to the stock. The ex-right date varies country to country. It may also determine by the companies themselves. In the Nepalese capital market companies published notice of book close date which is the ex-right date. The date is normally four days before the holder of resale date. In the above example, December 11 is the ex-right date and those who purchase share on and after this date will not receive rights and receive by the seller of the shares.

c) Holders of Record Date

It is the date until which a person who has bought shares before ex-right date, must registers his/her name in the company's shareholder's register. Holder of record date is the final date to

transfer the title. It means the sellers name should be replaced by the buyers name in the company's shareholder's register till this date. It is cleared by the following example.



June 15 is record date. Any investor who buys shares before June 11 (ex-right date) must record his/her name in the company until 15 to receive right shares.

d) Subscription Date

It is the date on which company starts to sell the right shares to the shareholders who have preemptive right. In other words it is the date from which company begins to collect share capital money through only those shareholders whose name is registered in the company's register before the holder of record date.

2.2.4.6 Conditions of Right Offering

The company should have the perfect policy, condition and provision to raise the equity capital. Some conditions that have to be satisfied for obtaining the approval for right offering are as follows.

-) Existing shareholders, who exercise their right in full, are given an opportunity to apply for the additional shares.
-) Existing shareholders, who renounce their rights, wholly or partially, are no entitled to apply for additional shares.
-) Shares which become available due to non exercise of rights by some shareholders are allotted to shareholders who have applied for additional shares in proportion to their shareholding.

-) Any balance shares left after meeting requests for additional shares by the existing shareholders are disposed of at the ruling market price or the issue price whichever is higher.

2.2.4.7 Right on and Ex-right Date

Right on date is that date in which date the stockholder purchase stock and can receive right and can purchase new share through right offering. Whereas ex-right date is that date from which stock is set to sell without attachment of right. Investors those who purchase stocks after this date can't receive rights to subscribe additional shares.

2.2.4.8 Rights Issue versus Public Offering

Right issue and public offering both are the issue of common stock. However, there are many difference exist between the two offerings.

- A right issue is likely to be more successful then public offering because the right offering is made to the investor's who are familiar with the operations of the company.
- Right issue is not underwritten, so flotation cost of right is lower than public offering.
- A right issue has issue price lower than public offering.
- The principal sales tool in the right offering is the discount from the current market price, whereas with the public offering the major selling tool is the investment banking organization.

2.2.5 Stock Rights Distinguished from Privileged Subscription

In any discussion of stock rights, it is necessary to distinguish clearly between stock rights proper and privileged subscriptions. The term "Privileged Subscription" includes all offers to subscribe to new securities, whether to stocks, bonds, or notes, extended by a corporation to its security holders. Such offers are termed "privileged" because the old security holders of the issuing corporation are given the first opportunity to purchase the new stocks or bonds, and presumably, at prices somewhat below current market values. The variety of privileged subscriptions is almost endless. Common stockholders may be given the privilege of subscribing for new common stock, preferred stock, or bonds of the issuing corporation. Or they may be granted the first opportunity to purchase a stock or bond issue of same affiliated or Subsidiary Corporation. Similar privileges may be granted to the preferred stockholders or to the bondholders of the issuing company. Not infrequently, privileged subscriptions relate to units of assorted stocks and bonds.

The term "stock rights", on the other hand, refers to a single class of privileged subscriptions, namely, those, which are issued by a corporation to its stockholders under the so-called pre-emptive right. In other words, stock rights include only those privileged subscriptions to which the stockholders are equitably and legally entitled by common and/or statute law. Other privileged subscriptions may or may not be extended to corporate security holders, the option resting wholly with the corporation itself, but the privilege of subscribing to a new issue of securities which is subject to the pre-emptive right must be offered to the holders of that right.

2.2.6 Theoretical Price Effect of Right Issues

Theoretically, a study such as this should be unnecessary since the effect of a rights issue on the market price of common stock should be entirely uniform. The forthcoming right issue should have no effect on the value of the stock during the interval between the announcement date and the record date that is while the old stock is selling rights-on. This follows because

the equity of each share of the old stock in the corporate assets and income remains absolutely unchanged during this period. The rights issue merely gives each stockholder the opportunity, sometime after the record date, either to liquidate a part of his equity in the corporate assets by selling his rights, or to increase his investment in the corporation and thus to maintain his proportionate equity by exercising his rights. Any movement of the stock price during the period while it is being traded rights-on should be the result of factors other than the forthcoming right issue.

According to theory, also, when the stock goes ex-rights on the record date, the market price should immediately decline by the exact value of one right. In reality, the old stock selling rights-on actually represents two values, one being the value of the right and the other the value of stock ex-rights. On the record date, the first value is permanently detached from this joint valuation and thereafter, during the life of the right, is represented by the warrant certificate. The market value of the old stock, therefore, should decline immediately on the record date by the amount of this detached valuation, in other words, by the value of the right. The situation is precisely the same as when a stock loses a portion of its value through the payment of a cash dividend or a stock dividend.

Likewise it can be said that the first quotation on the stock rights after the stock has gone ex-rights should be exactly the value of one right, for this is the precise theoretical valuation which has been lopped off the old stock through issuing the warrant certificate. Similarly, all subsequent quotations on the stock rights should equal the values obtaining at those times. In actual practice, however, these theoretical assumptions are not always borne out.

2.2.7 Procedure for Issue of Right Shares in context of Nepal

The mechanism and the sequence of events in the case of right shares issue are somewhat complicated and it will therefore be useful to outline briefly the actual procedures by which a right issue is typically made.

- ❖ The board of director should decide and determine the quantum of further capital requirement and proportions in which the right issues might be offered to its existing shareholders.
- ❖ Annual General Meeting should pass the proposal of board of director by its majority.
- ❖ Company should notify the NRB, NEPSE, SEBON and office of the company registration with prospectus, in advance of the date of board meeting on which right issue is likely to be considered and should get permission from there.
- ❖ Make an announcement with prospectus which gives general information of the reasons, purpose of the right offering, will make the issue desirable.
- ❖ Letter of provisional allotment or right offering is distributed to the shareholders with the prospectus. This will define the term of the right offering, number of new shares allocated to each old shareholder (subscription ratio), the price at which the issue to be made (subscription price) and other condition of which shareholders will qualify to purchase the right share. The letter will be sent after the date of an announcement.
- ❖ After the record of the letter of the provisional allotment, the allotment must be accepted or re-announced and payment in full or partial must be made for those shares which are re-announced.
- ❖ Certificates are distributed to the shareholders who have participated in the right offering announcement. Shareholders who had accepted and fully paid up their allotment can re-announcement the actual shares certificated in favor of third party.
- ❖ List the right shares in the stock exchange which must be approved by stock exchange. And then an application for listed new shares could me made

2.3 Review of Related Studies

2.3.1 Review of Article

To make more relevant and to add input in this study some Journals and article are also reviewed below:

Dolley (1934) conducted a study on the topic "*The price effect of stock rights issues*". In this study he uses 303 stock rights issued out of 422 privileged subscription recorded in NYSE. He classified these stock rights by various methods such as industry wise according to the years in which they were issued. In this study he defines a lot of key terms clearly with example.

To analyze the price, effect of stock rights issue he uses the price from announcement date to record date. Since the sole object in this procedure was to develop the general price trends, the dates for which these quotations were obtained were only approximately one, two, three, and four weeks prior to the record date. The entire sample of 303 stocks was not used in this test because it was thought that a smaller number would serve to reveal the general trend. The result of this study seems that the possibilities of a stockholder realizing an immediate profit from a right issue are narrowly limited. Investor is about as likely to lose, as he is to gain if he sells his stock at the announcement date and buys back just prior to the record date. If he sells his stock ex-rights together with his rights on the record date, in two cases of out of three he will realize a slight appreciation over the value of his stock on the preceding business day. If the stockholders decide to exercise his rights, he would do well to exercise them toward the end of the subscription period, thus allowing for a possible decline in the market price of the stock ex-rights below the subscription price, which would render the stock ex-rights below the subscription price, which would render the stock rights valueless.

However, if the stockholder elects to sell his stock rights, his chances of securing the optimum market price would slightly better if he should sell at the beginning rather than the end of the subscription period. For the professional speculator, it would seem in general market that the best chances for profit would lie either in purchasing the stock rights-on just prior to the record date and selling the shares ex-rights themselves on the record date, or in selling the rights short on the record date and covering later in the subscription period. However, the individual price reactions both of the stock and the rights vary so widely from case to case as to render speculation according to rigid rules highly unsafe.

Nelson (1965) in his study, reports that an empirical test of whether the price effects of stock dividends and splits are also observed in the quasi split characteristics of rights. He tested the proposition that stock rights have splits effects similar to stock splits and stock dividends. The significant of the study is indicated by the fact that approximately two, thirds of new issues of common stock are sold through privileged subscription in US stock market. He uses three price quotations for the study i.e., (i) Six months before the announcement of the offering. (ii) On the 1st day of rights trading and (iii) Six months after the close of rights offering. By analyzing data he found that the average adjusted price of all offerings declined 0.2% from six months before the announcement of right to six months after the close of the rights trading period. Market prices, adjusted both for split effects and general market effects, increased following rights offerings when cash dividends were increased. But the sizes of the changes were not as large as those found in previous studies, which measured the effects of cash dividend increases on market prices six months following stock splits and stock dividends. The data also show that earnings increases have about the same order of magnitude of influence as dividend increase on adjusted market prices six months after the rights offerings.

Marsh (1979) used London share price database to study equity rights issue and the efficiency of the UK stock market. He considers whole population of right issuing company i.e. 1145 companies on the London quoted and registered companies between 1962 and 1975. Although 148 issues were excluded because of potential ambiguities in the calculation of rights issue adjustment factors. He found the population abnormal return estimate for the two years post announcement period was only 4.5% or almost exactly half of the figure obtained for the random sampling. Similarly, over the one-month period following the announcement the abnormal return estimated were 2.8% and 1.6% respectively. The mean ex-post market return was only 0.8% higher than the mean risk free rate over the two-year post announcement period, so he expects his results to be largely independent of his beta estimates.

Since his study was concerned with market efficiency, the confined Iii-s attention to the post announcement period and striking feature was the apparent existing of abnormal returns after the news has been made public. Furthermore, his results are unaffected by the choice of model although the returns were somewhat lower with market model.

He further states that price pressure implies a temporary price fall around the ex-date. To test this, he applied the single stage cross sectional model to full sample of nearly a thousand issues. The results are consistent with the existence of small amount of price pressure. Share prices appear to suffer a temporary set back of 0.9% during the immediate ex-right period, although they more than recover from this over the next month with an abnormal return of 1.8% over the second period examined. While a small part of the price fall could be due to information effects delayed until after announcement date because of non-trading. There appear to be no other plausible explanation, which are consistent with market efficiency. The results of his tests on price pressure and market liquidity were for more conclusive. Although an average, there did appear to be small setback of 0.5% to 1% when the shares went ex-rights, he found no evidence whatsoever that the returns over the issue (or announcement) period were related to the size of the issue. Quoted companies appear to be able to sell any reasonable amount of new equity at effectively the current market price and do not appear to face a downward and sloping demand curve for their shares. Hence although in recent years there has been an active public debate in UK or the adequacy of the capital market there seems little satisfaction for any real concern over the operations of this particular segment. The London Stock Exchange appears to be a highly liquid market.

Marsh (1980), in another study of valuation of underwriting agreements for UK rights issue states that UK companies raise virtually all of their new equity capital via the rights issue. Companies can guarantee the subscription of their issue having them underwritten and in recent years this procedure has been adapted for 90% of UK rights issues. Underwriting is usually carried out on a fixed fee basis representing at least 1.25% of the total money raised, and hence it is clear that quite substantial sums of money are involved. Since

underwriting is simply a put option giving the company the right to put a failed issue on to the Underwriter. In this study he describes an application of *Black and Scholes* model to the valuation of rights issue underwriting agreements over the period of 1962 to 1975. Model prices are compared with the fees charged in order to assess whether the letter represent competitive prices.

Furthermore he uses the same population and sample as in previous study; however he is unable to establish the date of the underwriting agreement with any degree of confidence. These issues were therefore excluded, leaving him with a sample of 539 underwritten issues for the purpose of this study. Underwriter performs an economically useful function by assuming the risks of a failed issue. Aside from the question of whether shareholders really wish to indulge in option trading with institution, the question of whether underwriting has historically proved worthwhile is an empirical one. In fact, when he used the *Black and, Scholes* model to value UK underwriting, over period 1962 to 1975, the evidence strongly indicated that underwriting, taken alone and ignoring side payments, was considerably overpriced.

White and Lusztig (1980) conducted a study on the topic price effects of rights offerings. The purpose of this study has been to test empirically two hypotheses with respect to the price effects of rights offerings. Its importance for the normative theory of financial management is obvious. The technique used in the study was a pooled cross-section time series model. This approach permitted the abstraction from the components of returns attributable to market wide events and other firm specific events on or near the date of interest, as well as tests of significance of events on market prices. The result of the pooled regressions provides more definitive information on the price behavior associated with the announcement of a rights offering. Since the t-statistics on the announcement date dummy variables were statistically significant at the 1% level or better, the hypothesis that on average investors believe that there is negative information associated with a rights offering can not be rejected.

The second hypothesis, capital markets in this instance are inefficient, assumes that managements' and investors' expectations differ and that investors require time to assimilate information. Since the coefficient on the dummy variables for the five days subsequent to the announcement of the rights offering were not statistically different from zero to 5% confidence level, the null hypothesis that prices adjust quickly and unbiased to new information can not be rejected.

2.3.2 Review of Related Thesis

Till the date, many studies have been done, related to the impact on market price by various variables such as EPS, DPS and signaling effects. But out of them very few thesis directly consider the rights issue to study the impact on share price movement. Some of the related them done for the study of right share offering are reviewed as follows:-

Gautam's Study (2001)

Gautam has conducted a study on the topic, 'Analysis of Share Price Movement Attributed to Rights Offering Announcement' in 2001. The main objectives of his study were to find the effect of rights offering on the share price movement, to find out, if there is any problem in the primary issue of securities and to analyze the adequacy of the contents of the company Act 2053 B.S. in regard to section 21, that emphasis about that matter to be disclosed in the issue prospectus. To conduct his study, he had used correlation analysis between share price movement and NEPSE index i.e. general market movement and t-statistics between share price before and after right issue announcement. T-statistics is used to test if there was significant change in share price before and after the issue of right. But he did not consider the value of right, which is very important in share price determination after the issue of rights share. Further, his analysis only covers data from 2052 to 2056 B.S. That result may not represent the present economic scenario. He had taken only three companies as sample to complete his study but here the researcher has taken six rights

issuing commercial banks as sample to conduct the study. The major findings of his study are that the change in share price due to rights offering cannot be generalized. He further states there is lack of legal provision in company act regarding the issue of rights share and also the lack of investors protection act. He concludes that Nepalese security market has failed to use various capital market instruments such as warrants, convertible option etc.

Lamsal's Study (2003)

Lamsal had conducted the study on impact of information on share price in 2002. In this study his objective was to determine the impact of information, such as dividend declaration, return on equity and EPS on share price. To analyze his study, he had use t-test and correlation. But he did not consider rights issue as an important factor in share price determinants. So here researcher has analyzed the rights issue as an important factor in share price movement. *Lamsal* in his study finds that there is significant difference in share prices of four samples companies out of five, because of information of divided declaration. It is found that share price of the sampled organization has decreased significantly after the issuance of directives made by NRB. In most cases MPS is negatively correlated with EPS, DPS & ROE.

After reviewing the above thesis, it is found that various studies have been conducted on the topic of share price and its determinant. But no one has considered the right issue as important factor that affects the market price heavily. Furthermore no one had test the correlation of share price with general market movement using data of 2053 to 2062 B.S. Beside that, researcher had tried to find out the value of rights. The researcher had also making effort to highlight the under subscription problem. So, this study is trying to find the impact of rights issue on market price of share of sample companies. This study may be an important effort to inform the shareholders and companies regarding the rights issue practice in Nepal.

Aryal's Study (2005)

In 2003 a study by *Aryal* on the topic "Equity Rights Issue, its Practice and Impact in Nepal" had been conducted. But his objectives of the study are different than Gautam's study. The main objective of his study is to examine the relationship between stock price reaction and announcement of rights issues and to analyze the relationship between rights share and equity share and rights share and NEPSE Index. To conduct this study he used cross sectional analysis by estimating the regression. He analyzed only the relationship between rights share to equity share and rights share to NEPSE index. In this research he founds announcement of equity rights issue are associated with a positive effect on share prices. He further states that theoretical value of right differs from company to company. At last he concludes that firstly company issues rights share for increasing equity capital and to invest it in company's diversification and expansion. Secondly they issue rights share to increase capital to meet the level prescribed by Nepal Rastra Bank. The rights share and equity share has low degree of positive correlation. The correlation coefficient between right share and NEPSE has also positive correlation.

Lamichhane's Study (2006)

Lamichhane conducted a study related to the rights offering and its impact on market price in 2004 in the Nepalese context. His objectives in this study is to identify the significant change in share price after announcement of rights offering and to recommend some policies that will help to rectify the current problems in the right issue of securities. To conduct the study, he had used the correlation between share price and price index, t-statistics between share prices before and after the rights issue announcement. He did not consider the value of rights, which is very important in share price determination after the issue of rights shares. His analysis only covers the data from 2056 to 2060 B. S. But here the researcher has analyzed the data from 2054 to 2062, which can show the present economic scenario. He had taken sample from different sector but here the researcher has use only one and most important sector i.e. commercial banks to conduct the study. In this study his major findings were different

between share price before and after the rights issue of sample companies is significant. He further states that rights share issue is new practice in Nepal, sample companies are unable to increase the market capitalization through rights issue, as the practice does not follow the theory. Under subscription of rights share is common problem. Company Act 2053 is not adequate for this and issues procedure of rights shares.

2.4 Research Gap

After reviewing the various thesis and related journals, the researcher has got lots of knowledge about right announcement and its different aspect. But it is noticed that the previous studies lacked the significant role of its time framework. The announcement date, the book closer date/ ex-right date and issue date are vary important. So it has to be considered seriously. In this study, the researcher has taken these dates in his study. And the researcher hopes that proper utilization of different dates certainly help to fill up the gap in this area. This study will try to show the current issue, latest information on financial indicators, data and real picture of share price of financial institutions. To show latest picture of financial indicators researcher covered the data of periods from 1995 to 2008 and collect the latest information or changes that occur in this periods. Hence, this study fulfils the prevailing research gap about the in depth analysis of the movement or fluctuation of stock price after the issue of Right and bonus share is the major concern of the stakeholders

CHAPTER - III

RESEARCH METHODOLOGY

3.1 Introduction

The above mentioned objectives can be fulfilled by well settled research methodology. The appropriate analysis of this study can be meaning only on the right selection of research tools that help to come absolute conclusion. Research methodology refers to the various sequential steps to be adopted by a researcher in studying problem with certain object in view. It should be appropriate and inflexible sequence of steps to be taken and their order too.

This study about selected commercial banks in Nepal has been already done streamline to some extent in earlier chapter in general. But the proper analysis of this study is to analyze the right offering and its impact on stock price and EPS in context of Nepalese commercial banks. Therefore in this chapter mainly focus has been made on research design, nature and sources of data, sampling procedure, coverage of data tools used for analysis and definition of some key terms used.

3.2 Research Design

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer to research questions and to control variances. "The research design refers to the conceptual structure within which the research is conducted." [Howard K Wolff & P R pant, *Social Science Research & Thesis Writing, 2000, P: 63*]. To conduct the study descriptive and analytical research design has been adopted. The study is based on historical data and an ex-post facto research. Such study no variables are in the control of researcher and no variables in this research is manipulated during the study period. Descriptive research is used for conceptualization, problem identification, conclusion and suggestion. Analytical research design is used for analyzing the data to find out the result.

3.3 Population and Sampling

For this study, only right issue companies are considered, all other cases being excused. Accordingly nothing but privileges subscription issued to common stockholder permitting them to subscribe for additional common stock of identical corporation was included in the sample. Till FY 2007/08, there are 80 companies who issue new common stock through privileged right of common stockholder, out of 142 companies listed companies in the Nepal Stock Exchange Ltd (NEPSE) categorized under 8 different sectors. Only 14 commercial banks issue rights to subscribe new common stock for existing shareholders. Nabil Bank Ltd, Himalayan Bank Ltd and Standard Chartered Bank of Nepal have not offered right share to their shareholder. As the Nepal has very small and sensitivity economic market, commercial banks, financial institutions holds and control the share market. We can conclude that the fluctuation on stock price of commercial banks financial institutions directly affected NEPSE index. Due to various limitation researcher can't take all the companies as sample. Therefore to make study reliable, effectively out of 8 sector of NEPSE, mainly from commercial banks and financial intuitions are taken as sample. For important and major sector of NEPSE i.e. commercial banks and financial institutions, more than one company is taken as samples. Some commercial banks issue right more than one time. But the latest right issue is considered for the study. To measure the price movement of stock before and after the right offer announcements, some market prices are required. For this purpose researcher has taken price of different period as the sample which is based on purposive and judgmental sampling methods. The samples companies are as follows:

- a) Kumari Bank Ltd
- b) Lumbini Bank Ltd
- c) Machhapuchchhre Bank Ltd
- d) Nepal Investment Bank Ltd
- e) Development Credit Bank
- f) National Finance Ltd
- g) Pokhara Finance Ltd
- h) Kist Merchant Banking and Finance Ltd

3.4 Nature and Sources of Data

In order to make the study more reliable and coherent both primary and secondary sources have been applied for collecting data, facts and statistics. But the study is mostly based on secondary data, mainly publication of SEBO/N, annual reports of sample companies, daily national newspapers, different published articles, website of NEPSE and so on.

i) Primary Data

To identify the right offering procedure and its impact on stock price and EPS, primary data are collected. Such data mainly collected through questionnaires, personal interviews with concern person like brokers, investors, issue managers, experts and etc.

II) Secondary Data

Secondary sources of data includes annual reports of SEBO/N, publications of NEPSE, annual reports selected companies, statistical book of Nepal, published and unpublished documents, articles, dissertation, journals as well. Newspapers, magazines, books and others reports such as Kantipur, The Himalaya Times, Business Age etc are useful sources of secondary data. Internet explorer also used to collect secondary information.

3.5 Data Collection Technique

For this study different techniques are used for collecting primary data as well as secondary data. There are various methods can be used to collect data but we should careful for purpose and findings of the study. Thus only selected are used from the related sources. This study is mainly based on the following methods for collecting primary data and secondary data.

J) Questionnaire Method

To collect the information about right offering and its impact on stock price, questionnaire method has been used. Opened closed and mixed questionnaire method is used to gather the data. Yes/No questions, multiple choice questions, descriptive questions are designed to get the response. Due to various limitations, only questionnaires are distributed to the

individuals, concern stakeholders, issue managers and related experts. And out of them responses were obtained.

) **Interview Method**

To make the study more reliable interviews of some concerned personalities was taken. The interview was related to right issue, its characteristics and impact on stock price, EPS and provision of right issue in company act etc. In addition some formal and informal discussions were held with student of finance in order to make the study realistic.

) **Historical Data Record Method**

It is the main sources of the data for this study. Historical data are collected from various reports, prospectus of companies and newspaper. Previous data, which was used by other party, are also useful for this study. The announcement day is the day of first public announcement. To ensure that, this was the first day that the information was because public, the announcement date was confirmed or collected by reviewing each firm's official records the SEBO/N. The share prices collected from the official quotation, lists of NEPSE published in the national daily Newspaper as trading report of SEBO/N.

3.6 Coverage of Data

This study covers only the companies which issue additional equity share capital through right offering and listed on Security Exchange Board, Nepal. Although there are 142 companies listed at SEBO/N and NEPSE. But only 80 companies issue rights from FY 1993/94 to FY2007/08. Out of them 9 companies are taken as samples. The right issue made during the FY2065/66 is ignored or excluded. Also the study throws the light on several aspects of the corporate financial policies and practices, effects regarding right offering such as subscription price, subscription ratio, total issue versus total subscription of the right shares, the frequencies of the right offering by an individual company and the legal provisions regarding right offering.

3.7 Analysis of Data

To achieve the research objectives data is analyzed by using various financial as well as statistical tools. This study is mostly based on share price before and after right offering announcements. This is mainly focused on effects the share price movements due to right offering announcements. The following analytical tools are used:

a) T- Test

This test is used to find out the significance differences between share price before and after right offering announcements by the particular company. T- test is mainly used to test the research hypothesis. For this study T-test is suitable because the share price of some transacted days (i.e. less then 30 transactions) are taken. Here the researcher has used paired T-test.

$$t_{cal} = \frac{\bar{X} - \bar{Y}}{\sqrt{S^2 \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

$$S^2 = \frac{\sum X^2 - \frac{(\sum X)^2}{n_1} + \sum Y^2 - \frac{(\sum Y)^2}{n_2}}{n_1 + n_2 - 2}$$

X= Price Index of equity capital before announcement

Y= Price Index of total equity capital announcement and other symbols have their usual meaning, i.e.,

n= Number of observation

b) Co-efficient of Correlation (r)

It is a statistical tool which is used to measure the degree of correlation of two variables. It also measures the direction of relationship of two variables. If both variables have positive behavior than correlation is said to positive correlation but if one variable have negative nature to another than it is known as negative correlation. In this study, the relation between share price and NEPSE index before and after right announcements is measured as:-

$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

Or
$$r = \frac{N \sum XY - \sum X \sum Y}{\sqrt{N \sum X^2 - (\sum X)^2} \sqrt{N \sum Y^2 - (\sum Y)^2}}$$

X=share price

Y = NEPSE index for total equity capital

r = correlation coefficient

c) Co-efficient of Determination (r^2)

It determines the degree of linear association or correlation between two variables. One of which happens to be independent and other being dependent variable. In fact it measures the percentage of total variation in dependent variable explained by independent variables. The co-efficient of determination has value range from 0 to 1. For example, the value of r^2 is 0.65 that means dependent variable used in regression model explained by 65% of the total variation in dependent variable. A value of one right which occur if the unexplained variation is zero which simply indicates that all the points in scatter diagram fall exactly on the regression line.

d) Probable Error (P. E)

It is a measurement which is used to measure the reliability and significance test of correlation co-efficient. It determines whether the calculated value of "r" is significant or not.

It is calculated as follows:-

$$P.E. = 0.6745 \sqrt{\frac{1 - r^2}{n}}$$

Where, r = value of correlation co-efficient

n = No. of paired observation

If $r < P.E.$, It is insignificant that means there is no evidence of correlation.

If $r > P. E.$, It is significant.

e) Value of Right (Vr)

We know right have the certain market value. It is because rights share is generally offered at lower market price. Therefore investors are interested towards that share attached with rights. After right offering existing shareholders want to exercise the rights to purchase the new shares or want to sell the right. Though there is no provision to right transferable in Nepal, but valuation of rights are very important to analyze the share price movement. After the closing date of rights offering, the share price will be decrease to the extent of value of right. The value of right is calculated as:-

$$\text{Valuation of Right (Vr)} = \frac{P_o Z S}{\# \Gamma 1}$$

Theoretical price of share = $P_0 - V_r$

Where,

P_o = Current Market Price of Share

S = Subscription Price of Right

$\#$ = No of Rights Required to Purchase One New Share

f) Others

Other tools such as percentage, statistical diagram, statistical tables and averages have been used as per demand of the study. These tools are important and useful to analyze, present the data in appropriate form.

CHAPTER – IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter is very important for each researcher. The main motives of the study is carefully studied, analysis and presented in systematic manner. The collected data through different sources and methods are tabulated, analysis, and interpreted very gently to obtain the objectives of the study. For best result, the researcher uses different financial and statistical tools like co-efficient of correlation, probable error, valuation of right which is mentioned in the chapter third. In order to analyze the study, the necessary financial facts and figures as well as descriptive information are also gathered through financial statements, annual reports and etc. But only the important variables that are sensitive and partial are taken into account. The researcher has already mentioned that this study is mainly based on secondary sources. Primary data are collected through responses of questionnaires, personal interview, discussion and secondary data are collected from publications of SEBO/N, NEPSE and etc.

To make the study systematic, the right offering process and practice in Nepal is analyzed in one part while other part the effect of right offering on stock price, NEPSE index and EPS is analyzed. Through right offering process and practice analysis we can get the knowledge about the problems, legal provision, and shareholders' privileged right. In other hand analysis of right is the main objective of this study.

4.2 Right Offering Practice in Nepal

Up to now, there are 142 companies listed in the SEBON and NEPSE. 276 public issues are taken approval from SEBON & NEPSE by these companies during from FY 1993/94 to 2007/08 as ordinary shares, preference shares, debentures through initial public offering, right offering etc. Out of these offering, 111 issues are the right offering made by 80 companies.

Table 4.1

S N	Fiscal Year	Total Listed Company	Right Issued Company	Amount of Right Issue
1	1993/1994	66	-	-
2	1994/1995	79	-	-
3	1995/1996	89	2	69
4	1996/1997	95	3	275.20
5	1997/1998	101	3	249.96
6	1998/1999	107	1	30
7	1999/2000	110	3	124.60
8	2000/2001	115	3	365.79
9	2001/2002	96	4	387.87
10	2002/2003	108	4	162.24
11	2003/2004	114	4	426.92
12	2004/2005	125	6	669.42
13	2005/2006	135	14	1241.45
14	2006/2007	135	15	1817.25
15	2007/2008	142	49	7605.21
	Total		111	13425.91

Source: Annual Report of SEBON, 2007/08

Nepal Finance and Saving Company is the first company in Nepal which has issued right share amounting Rs 2.00 million in FY 1995/96. For the same year, only the Seti Cigarettes Factory Ltd has got approval to issue the right shares. In context of Nepalese capital market, all the companies normally had issued right shares at par value i.e. Rs 100 per share. Because of company ordinance, no company can issue the right shares at discounted price. Although there is no barrier to add the premium but due to the fear of under subscription normally company does not will to issue at premium. As a result, there is wide different between subscription price and market price per share. Bottlers Nepal Ltd is only the company which has issued right shares more than par value of Rs 260 per share (i.e. at premium of Rs 160). It issued Rs 225.20 millions right shares in FY 1996/97. Up to FY 2007/08, the maximum time right offered company is Nepal Share Markets and Finance Ltd which issued five times and amounting Rs 174 millions. Ace Development Bank Ltd and Lumbini Bank Ltd issued right

shares equally four times each. But in case of size of amount, Development Credit Bank Ltd. has issued Rs 806.40 millions right share in a single time in 2007. Nepal Merchant Banking & Finance Ltd is the second ranked company which has issued Rs 800.00 millions right shares in 2007 and Kist Merchant Banking & Finance Ltd is third ranked company which increased equity capital amounting Rs 750.00 millions by right offering in different three times. Taragaun Regency Hotels Ltd issued right shares of Rs 446.45 in 2006 but only 57.45% right shares were subscribed. Nepal Investment Bank Ltd, Bank of Kathmandu Ltd, NB Bank Ltd had issued right offering Rs 372.66, 434.00 and 359.92 respectively. Necon Air Ltd had also issued Rs 89.60 right shares in FY 1999/2000. Nepal Bank Ltd issued right shares of Rs 241.95 million to existing shareholders in FY 1997/98.

There are different subscription ratios for different companies. Normally the average subscription ratio is 1:1 or 2:1. Through different appendix we came to know that the rights offering in last years are increasing in number as well as amount also. In FY 1995/96, only two company got approval for right offering by SEBON & NEPSE. Likewise, three company in FY 1996/97 & 1997/98, only one company in FY 1998/99 had got approval and offered right shares. Fifteen companies with total amounting Rs1817.25 millions in FY 2006/07 and forty-nine companies with amounting Rs7625.21 in FY2007/08 had issued right shares to their shareholders. The amount of right offering is also increases for most recent years. The rules and regulations by Nepal Rastra Bank (NRB) towards equity share capital may be the main cause for increasing the right offering in numbers and amount also.

The size of amount of right offering is different from company to company. Obviously having the large number of shareholder and amount of share capital, the issued amount of right offering also becomes large for commercial banks and other financial intuitions. For e.g. Nepal Investment Bank Ltd, Nepal Credit and Commerce Bank Ltd, Nepal SBI bank Ltd, Development Credit Bank Ltd, Machhapuchchhre Bank Ltd, Nepal Merchant Banking & Finance Ltd, Kist Merchant Banking & Finance Ltd, International Leasing and Finance Ltd

are the company which had issued large amount of right shares at once to their share holders. National Hydro Power Company Ltd has also issued Rs 694.94 millions right shares in 2008.

4.2.1 Contribution of Right Shares on Total Public Issue in Nepal

Right share is an important part of total public issue in Nepal. There are many alternatives of the public issue. Right offering is the best for the shareholder to their return view because of they can purchase additional share at lower price than market price. Following table show contribution of right shares issue in the total public flotation in each fiscal year in which the right offering has been conducted.

Table 4.2 (Rs. in million)

S N	Fiscal Year	Total Issue Approved		Right Issued Approved		Percentage	
		No Of Issue	Amount	No Of Issue	Amount	No Of Issue	Amount
1	993/1994	17	344.4	0	0	0	0
2	1994/1995	12	254.21	0	0	0	0
3	1995/1996	12	293.74	2	69	16.67	23.49
4	1996/1997	5	332.2	3	275.2	60	82.84
5	1997/1998	12	462.36	3	249.96	25	54.06
6	1998/1999	5	258	1	30	20	11.63
7	1999/2000	8	487.06	3	124.6	37.5	25.58
8	2000/2001	8	484.29	3	365.79	37.5	75.53
9	2001/2002	15	1266.63	4	387.87	26.67	30.62
10	2002/2003	17	813.74	4	162.24	23.53	19.94
11	2003/2004	16	1484.92	4	429.92	25	28.95
12	2004/2005	12	1270.31	6	669.42	50	52.7
13	2005/2006	34	2547.87	14	1241.45	41.18	48.73
14	2006/2007	31	2757.504	15	1817.25	48.39	65.9
15	2007/2008	72	11567.86	49	7605.21	68.06	65.74
	Total	276	24625.094	111	13427.91	40.22	54.53

Source: Annual Report of SEBON, 2007/08

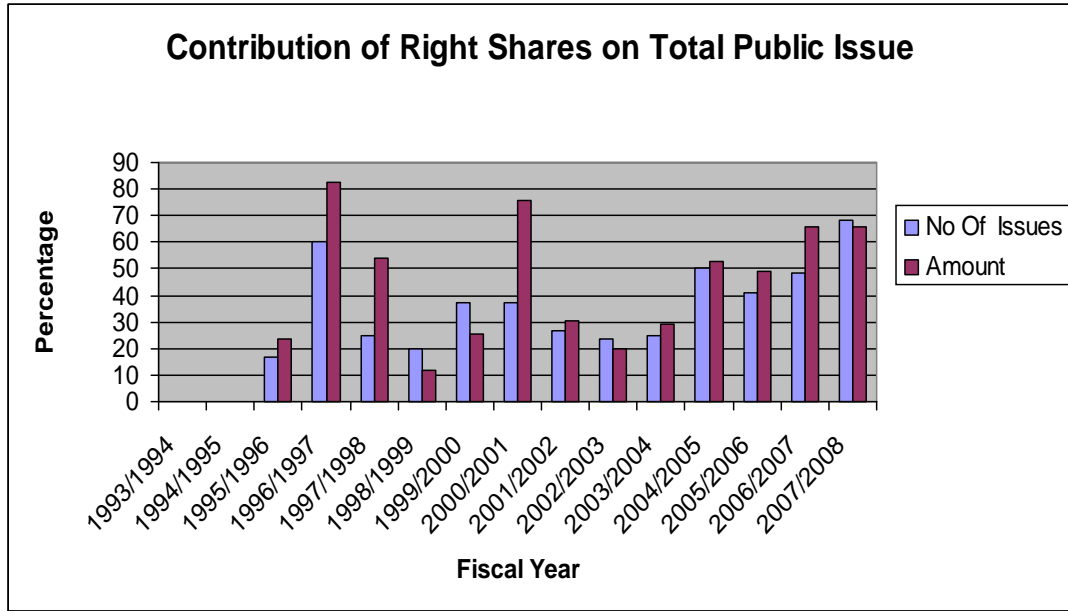


Fig 4.1:- Contribution of Right share on Total Public Issue

By analyzing the above table and figure, first right offering was held in FY1995/1996. At that year, only two companies issued right share out of twelve total public issues which is 16.67% of total issues. During this period, the maximum number of right share issues held in FY 2007/2008 and lowest number of right share issued in FY1998/1999. In FY 2007/2008, there were 49 right share issued out of total 72 public issues which is 68.06% of the total public issue. In FY 1998/1999, only one right offering by Nepal Share Market Co. Ltd issued right share. At that FY only five public offerings were held so that right offering contributed 20% of total public offering. The table shows that the right offering is in increasing trend. The contribution of right share is 60%, 25%, 20%, 37.5%, 37.5%, 26.67%, 23.53%, 25%, 50%, 41.18% and 48.39% in FY 1996/97, 1997/98, 1998/99, 1999/2000, 2000/01, 2001/02, 2002/03, 2003/04, 2004/05, 2005/06 and 2006/07 through 3,3,1,3,3,4,4,4,6,14 and 15 right issues out of 5, 12, 5, 8, 8, 15, 17, 16, 12, 34 and 31 total public issues respectively. During this period 40.22% of total issued contributed by right shares.

Likewise, in case of volume, the highest amount of right share issued in FY 2007/08 of amounting Rs 7605.21 millions. It is 65.74% of total public issue in that particular fiscal

year. During this period, the lowest amount contribution by right in FY 1998/99 having only Rs 30 millions of right shares through only one issue held by Nepal Share Market Co Ltd. This is only 11.63% of total public issue of Rs 258 millions. Although, only Rs 275.20 millions right shares issued in FY 1996/97, it covers 82.84% of total public issues of Rs 332.20 millions. It is the maximum percentage contributed by right shares during this period. Similarly in FY 1995/96, 1997/98, 1999/2000, 2000/01, 2001/02, 2002/03, 2003/04, 2004/05, 2005/06 and 2006/07 right share contributed by 23.49%, 54.06%, 25.58%, 75.53%, 30.62%, 19.94%, 28.95%, 52.70%, 48.73% and 65.90% of total public issues through amounting Rs 69, 249.96, 124.60, 365.79, 387.87, 162.24, 429.92, 669.42, 1241.45 and 1817.25 respectively.

During this period of 1995/96 to 2007/08, among 276 issued by 142 listed companies, 111 issues are right share. It contributed 40.22% in number and 54.53% in amount figure of total public issue. Above data shows that the right share becomes popular in Nepalese Sock Market. It is the instrument which has second largest volume in Nepalese security market.

4.2.2 Issue Manager wise Right Offering in Nepal

In Nepal, there are nine issue managers operating in security market. All of them, except United Finance Ltd have issued different types of security instruments including right shares. For the development of security market, the role of issue manager becomes very important. The following table gives the data of issue manager wise right offering during FY 1995/96 to 2007/08. Out of the total right issues, issue manager of Nepal Finance & Saving Co. Ltd and Seti Cigarette Factory Ltd. are unknown.

Table 4.3

(Rs. in million)

S N	Issue Manager Name	Right Issued Approved		Percentage	
		No Of Issue	Amount	No Of Issue	Amount

1	National Finance Company Ltd.	6	931.33	5.41	6.94
2	Ace Development Bank	23	2525.21	20.72	18.81
3	NIDC Capital Markets Ltd.	35	3961.04	31.53	29.5
4	Citizen Investment Trust	13	2084.96	11.71	15.53
5	NMB Bank Limited	20	3147.87	18.02	23.44
6	Nepal Finance Limited	5	211	4.5	1.57
7	Nepal Share Markets & Finance	5	107.58	4.5	0.8
8	United Finance Ltd.	0	0	0	0
9	Nepal Sri Lanka Merchant Bank Ltd	2	389.92	1.8	2.9
10	Unknown	2	69	1.8	0.51
	Total	111	13427.91	100	100

Source: Annual Report of SEBON, 2007/08

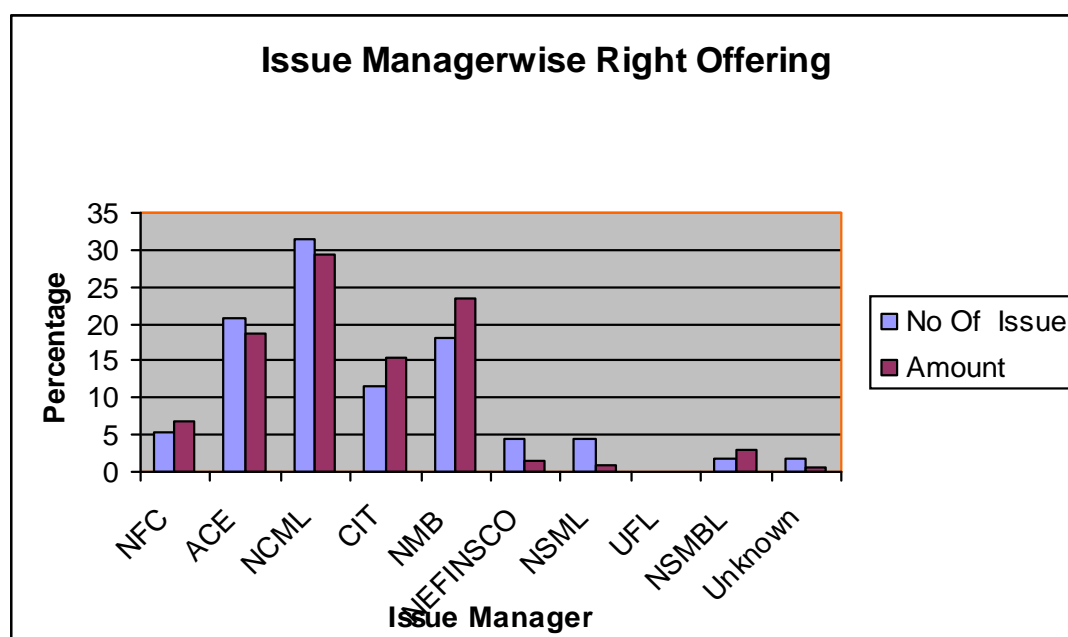


Fig 4.2:- Issue Manager wise Right Offering

Through above table and graph, the researcher can easily noticed that on the basis of the right share issued amount, NIDC Capital Market Ltd is the first ranked which issued amount Rs 3961.04 and followed by NMB Bank Ltd with amounting Rs 3147.87. It is 29.50% and 23.44% of total right issues during this period. Ace Development Bank (18.81%), Citizen Investment Trust (15.53%), National Finance Company Ltd (6.94%), Nepal Sri Lanka

Merchant Bank Limited (2.90%) and Nepal Finance Limited (1.57%) are the third to seventh ranked issue manager respectively. They have issued the right shares amounting Rs 2525.21, 2084.96, 931.33, 389.92 and 211.00 millions respectively. Nepal Share Markets & Finance Ltd is the smallest right issue manager among all. It has been issued only amount Rs 107.58 millions through five issues. The data of issue manager of two right issues can't find of amounting Rs 69.00 millions. In total, Rs 13,427.91 millions' right share has conducted up to FY 2007/08.

But on the basis of right issue number, the maximum number right issue conducted by NICD Capital Market Ltd. It has issued 35 rights offering which is 31.35% of total right issue. Ace Development Bank, NMB Bank Ltd, Citizen Investment Trust and National Finance Company Ltd have issued 23, 20, 13 and 6 rights offering during this period. Nepal Finance Ltd and NIDC Capital Ltd have equally conducted five rights offering each. Nepal Sri Lanka Merchant Bank Limited has issued only two rights offering.

4.2.3 Sector wise Right Offering in Nepal

There are 142 companies listed in Nepal Stock Exchange (NEPSE) and Security Board Nepal (SEBON). These companies are categorized into eight different sectors. Right share is issued by each sector. Obviously having the large number of volume and number, the financial intuitions have issued more right offering than other companies. The following table gives the detail information about this issue.

Table 4.4 (Rs. in million)

S N	Sector Name	Total Listed	Right Issued Approved		Percentage	
			No Of Right Issue	Amount	No Of Right Issue	Amount
1	Commercial Bank	17	14	5763.48	82.35	42.92
2	Development Bank	23	14	1574.05	60.87	11.72
3	Finance Company	56	41	4378.82	73.21	32.61
4	Insurance Company	16	5	185.36	31.25	1.38
5	Hotels	4	1	446.45	25	3.32
6	Mfg. & Pro. Company	18	2	292.2	11.11	2.18
7	Trading Company	4	1	3.01	25	0.02
8	Others	4	2	784.54	50	5.84
Total		142	80	13427.9	56.34	100

Source: Annual Report of SEBON, 2007/08

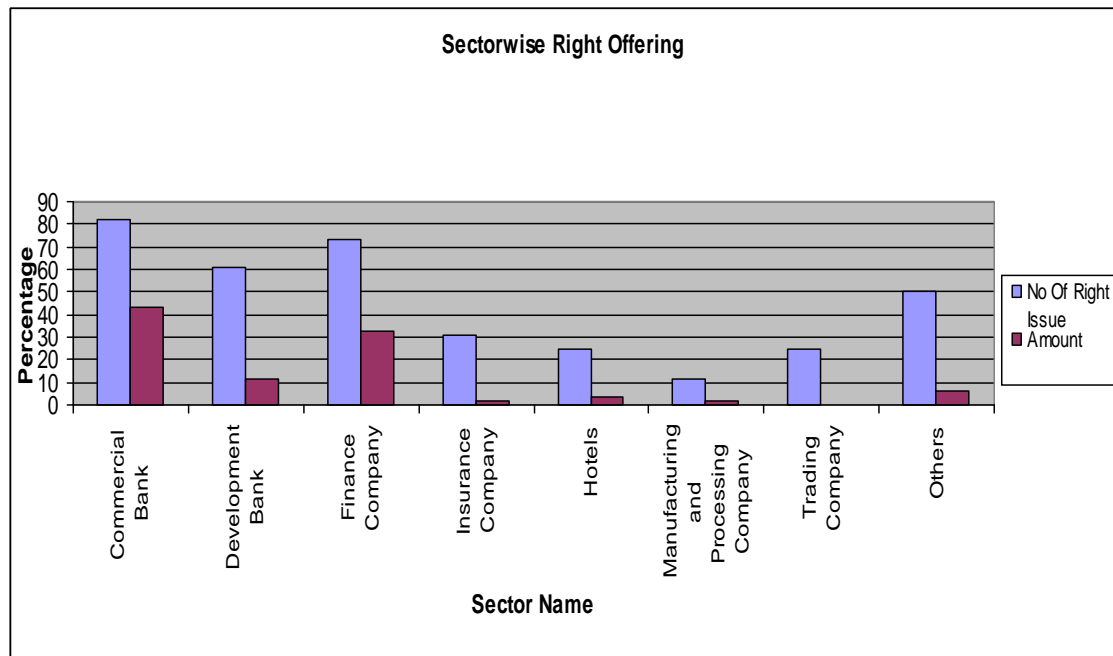


Fig 4.3:- Sector wise Right Offering

By analyzing the above table and graph, 14 commercial banks had issued right shares out of 17 commercial banks which are 82.35%. Some banks had issued two or more than two time right offering eg Nepal Investment Bank Ltd, Nepal SBI Bank Ltd, Kumari Bank Ltd, Siddhartha Bank Ltd, Lumbini Bank Ltd, Development Credit Bank Ltd, Machhapuchhre Bank Ltd and Laxmi Bank Ltd. This sector had issued Rs 5763.48 millions (42.92%) through 24 right offering. Likewise, among 23 listed development banks, 20 cases of right offering had issued by 14 developments banks. They had issued Rs 1574.05 millions right offering. This sector covers 11.72% of total right issue amount. Out of listed 142 companies and categorized different eight sectors, Finance Company covers the major volume on the basis of number. Among listed 56 Finance Companies, 41 companies had issued right offering amounting Rs 4378.82 millions (32.61%) through 55 right offering. In case of Insurance Company, Hotels, Manufacturing and Processing Company and Trading Company 5, 1, 2 and 1 right offering had conducted respectively. They had issued amounting Rs 185.36 (1.38%), 446.25 (3.32%), 292.20 (2.18%) and 3.01 (0.02%) right shares respectively. Taragaon Regency Hotels Ltd is the only one hotel which issued right shares among listed four hotels. But only 57.45% of right offering was subscribed. Necon Air Ltd and National Hydro Power Company Ltd had issued right shares amounting Rs 89.60 and 694.94 millions in 2000 and 2008 respectively. In total, other sector occupies 5.84% of total right offering.

In total 142 listed companies, 80 different companies had conducted right shares with amount Rs 13427.91 millions. It can conclude that the commercial banks occupied the greatest volume of right share through 24 right offering. Although, finance companies had issued right offering more times than commercial banks, it has lower volume of right shares. Likewise through only 1 and 2 right offering by hotels and other company also occupied 3.32% and 5.84% of total right offering due to larger volume of right shares.

4.2.4 Instrument wise Right Offering in Nepal

In Nepalese security market, right share covers the major portion of the total security market. Most of the company announces right shares to increase the equity capital. The issue of the

right share is highly increased in the last fiscal year 2007/08. Among the total right issued amount and number, more than 50% right shares are issued during this fiscal year 2007/08. Now the right share is the first largest in amount and second largest in number of issues instrument in Nepalese stock market. It covers 54.53% of the total security issued. Following table and figure shows the detail information of contribution the right shares on Nepalese stock market.

Table 4.5 (Rs. in million)

S N	Instrument Name	Total		Percentage	
		No of Issue	Amount	No of Issue	Amount
1	Preference Share	4.00	556.50	1.45	2.26
2	Debenture	14.00	5103.00	5.07	20.72
3	Right Share	111.00	13427.91	40.22	54.53
4	Ordinary Share	147.00	5537.68	53.26	22.49
Total		276.00	24625.09	100.00	100.00

Source: Annual Report of SEBON, 2007/08

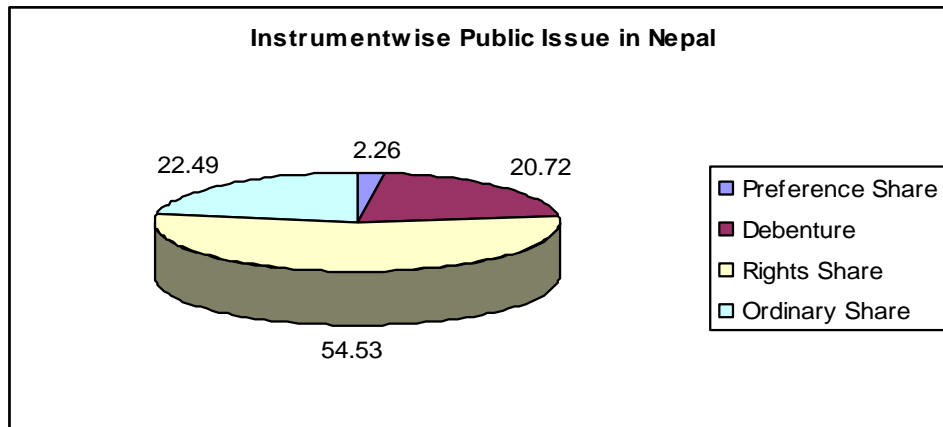


Fig 4.4:- Instrument wise Right Offering

4.3. The Movement of Stock Price Before and After the Announcement of Right Share of Selected Companies

In this portion, our main objective is to analyze the share price movement of selected companies with NEPSE index. To obtain the best result, different points of time period were selected for observing the price movement with the announcement date as the point of reference. Our selected time points are,

- a. Before rights announcement date
- b. Before Book Close Date(Before Ex-right Date)
- c. After Ex-right Date

The main purpose of this method of analysis is to eliminate the effect of the general market movement from the analysis. Otherwise the procedure for eliminating the effect of general market movement boils down to adjusting the actual share price on any date downwards in proportion to an upward general movement since the base date and adjusted it upwards in proportion to a downward, general market movement. Thus finally, we get a series of five percentages for each of the shares in our sample representing relative change in a share price at different points of time, after eliminating the effect of general market movement.

The researcher has analyzed the price movement of sample companies (Kumari Bank Ltd, Lumbini Bank Ltd, Machhapuchchhre Bank Ltd, Nepal Investment Bank Ltd, Development Credit Bank, National Finance Ltd, Pokhara Finance Ltd, and Kist Merchant Banking and Finance Ltd)

4.3.1 Analysis of Share Price Movement of Kumari Bank Limited

Table 4.6

Before Announcement Date		Before Ex-right Date		After Ex-right Date	
Date	Share Price	Date	Share price	Date	Share Price
Nov. 8 2005	382(306.15)	Nov.28,2005	385(301.67)	Dec.25,2005	330(300.49)
Nov.10, 2005	375(307.98)	Dec. 5, 2005	378(301.97)	Dec.27,2005	330(301.09)
Nov. 13	384(306.15)	Dec. 6,2005	300(298.00)	Dec.28,2005	330(301.60)
Nov. 14	385(305.05)	Dec. 8,2005	315(299.10)		
Nov. 15	382(302.39)	Dec.11,2005	326(299.84)		
Nov. 16	380(300.58)	Dec.14,2005	330(302.24)		
Nov. 21	371(302.02)	Dec.15,2005	341(303.12)		
Nov. 24	372(301.20)	Dec.18,2005	345(303.98)		
		Dec.19,2005	No transaction		
		Dec.20,2005	345(306.59)		
		Dec.21,2005	340(308.13)		

Source: Daily Floor Index of NEPSE

The Actual prices of Kumari Bank before rights share announcement were Rs.382, Rs.375 Rs385 and Rs.371. This shows that there the price of Kumari Bank is in decreasing trend. At the day of announcement the price was Rs.372. But after the announcement date the price went to Rs.385 on November 28, 2005 but the price went Rs.300 on December 6, 2005 and thereafter it started to increase and went Rs.345 Before ex-right date. But there is no significant change is found after ex-right day price. It just decreases by Rs.10. and after the issue date also there is no relative change in market price.

This shows that Kumari Bank shares do not follow the theory of right announcement. After the announcement the price is increased by Rs.13 but after one week later there is significant change is observed that the price was decreased by Rs.85 per share. The price movement of Kumari Bank Ltd. is presented below in the graph. The different dates (before announcement date, before ex-right date and after ex-right date) are plotted on the horizontal axis and share

price and price index on the vertical axis. One can clearly see the price behavior in the different date.

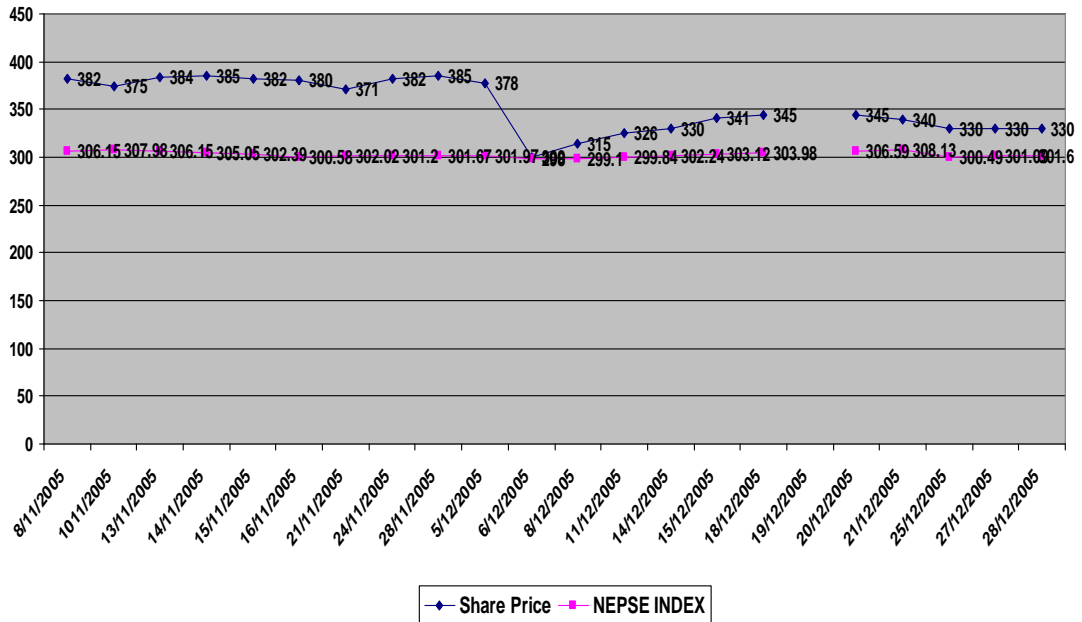


Fig. 4.5: Share Price Movement of Kumari Bank Ltd.

4.3.2 Analysis of Share Price Movement of Lumbini Bank Limited

Table 4.7

Before Announcement Date		Before Ex-right Date		After Ex-right Date	
Date	Share Price	Date	Share price	Date	Share Price
July 2,2006	173(376.77)	July 17,2006	181(388.16)	July 25,2006	173(397.35)
July 5,2006	172(382.04)	July 18,2006	186(389.74)	July 26,2006	173(394.86)
July 9,2006	173(384.60)	July 19,2006	185(393.68)	Aug.1,2006	173(366.73)
July 10,2006	170(385.31)	July 20,2006	181(395.89)	Aug.6,2006	173(363.56)
July 12,2006	172(386.63)	July 23,2006	173(397.95)	Aug. 8,2006	173(390.86)
July 16,2006	No Transaction	July 24,2006	No Transaction		

*Source
: Daily
Floor
Index
of
NEPS
E*

The Actual prices of Lumbini Bank before rights share announcement were Rs.173, Rs.172 Rs170 and Rs.172. This shows that there the price of Lumbini Bank is not showing significant differences before announcement date. At the day of announcement there is no

any transaction. But after the announcement date the price went up to Rs.181 on July 17, 2006 but the price gone down to Rs.173 before ex-right date, which is puzzling. There is no transaction on the ex-right date. But after ex-right date on July 25, 2006, the share was traded on as same price as the before ex-right price for an almost one month.

This shows that Lumbini Bank shares also do not follow the theory of right announcement. After the announcement the price is in increasing trend. But there is no a rupee change the price before and after ex-right date. The price movement of Lumbini Bank Ltd. is presented below in the graph. The different dates (before announcement, before ex-right and after ex-right date) are plotted on the horizontal axis and share price and price index on the vertical axis. One can clearly see the price behavior in the different date.

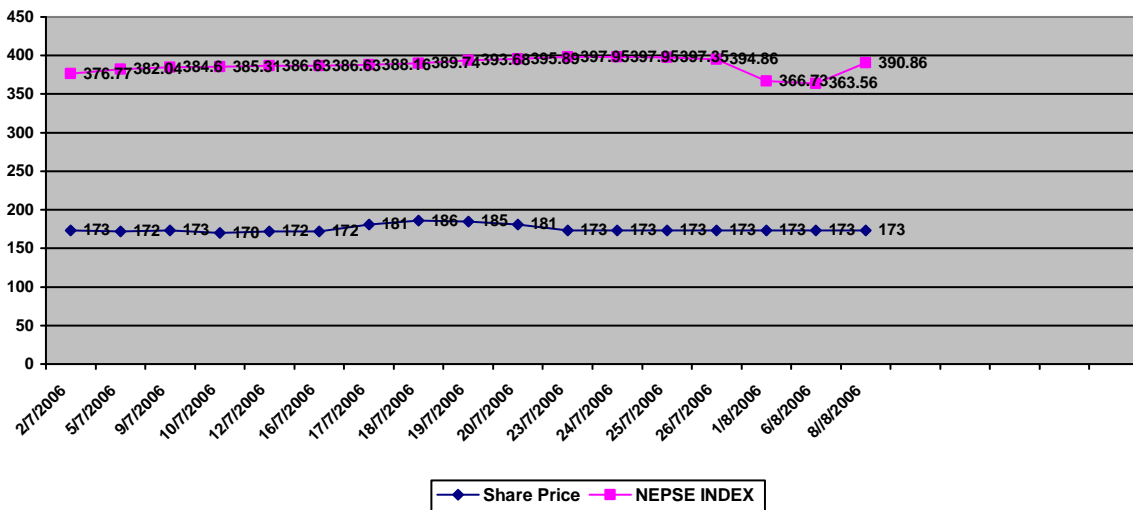


Fig. 4.6:

Share Price Movement of Lumbini Bank Limited

4.3.3 Analysis of Share Price Movement of Machhapuchhre Bank Ltd.

Table 4.8

Before Announcement Date		Before Ex-right Date		After Ex-right Date	
Date	Share Price	Date	Share price	Date	Share Price
Apr.17, 2006	321(331.88)	May 8, 2006	390(370.95)	May 15,2006	306(388.49)
Apr. 26,2006	342(343.28)	May 9, 2006	395(375.15)	May 16,2006	365(387.86)
Apr.30, 2006	359(361.58)	May10, 2006	411(377.49)	May 17,2006	345(384.58)
May 1,2006	400(374.87)	May11, 2006	415(381.70)	May 18,2006	348(384.11)
May 2,2006	365(372.45)			May 21,2006	349(382.65)
May 4, 2006	385(366.94)			May 22,2006	342(387.23)
May 7,2006	400(368.68)	May14, 2006	No Transaction	May 23,2006	340(372.48)
				May 24, 2006	340(370.89)

Source: Daily floor index of NEPSE

The Actual prices of Machhapuchhre Bank before rights share announcement were Rs.321, Rs.342 Rs400 and Rs.365. This shows that the price of Machhapuchhre Bank is in increasing trend except May 1, 2006. At the date of announcement the price was Rs.400. After the announcement date the price went down to Rs.390 on May 8, 2006 but the price went Rs.395, Rs.411 before ex-right date. There is no transaction on the ex-right date. But, after ex-right date on May 15, 2006 the share was traded on Rs.306 and then Rs.365 on May 16, 2006. The significant change is found after ex-right day price. The stock price is Rs.109.

This shows that Machhapuchhre Bank shares also do not follow the theory of right announcement. After the announcement, the price is decreased by Rs.10 which is reverse according to the principle of rights offering. The price movement of Machhapuchhre Bank Ltd. is presented below in the graph. The different dates (before announcement, before ex-right and after ex-right date) are plotted on the horizontal axis and share price and price index on the vertical axis. One can clearly see the price behavior in the different date.

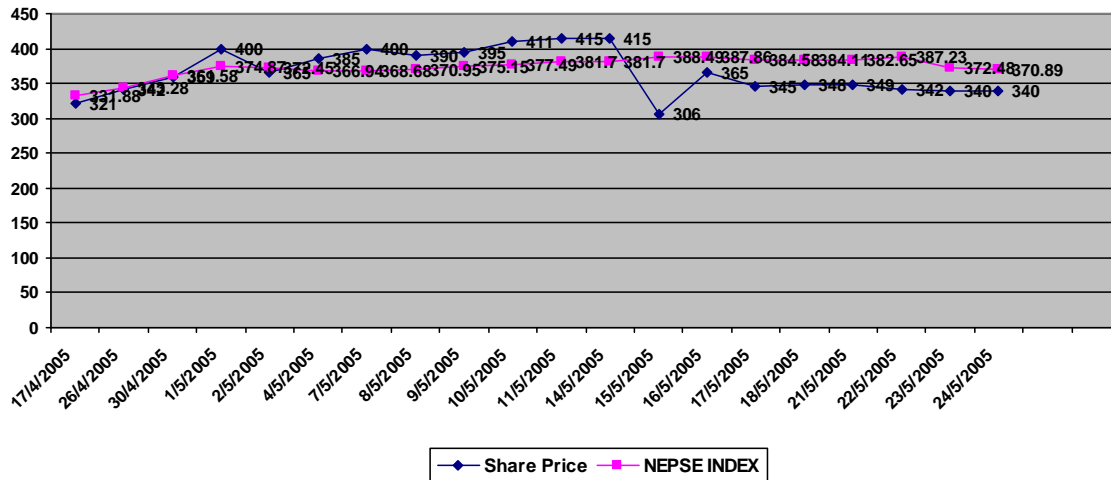


Fig. 4.7:

Share Price Movement of Machhhapuchchhre Bank Ltd.

4.3.4 Analysis of Share Price Movement of Nepal Investment Bank Ltd.

Table 4.9

Before Announcement Date		Before Ex-right Date		After Ex-right Date	
Date	Share Price	Date	Share price	Date	Share Price
Apr.7, 2005	1316(289.56)	Apr.24,2005	1332(294.03)	May 4,2005	790(298.78)
Apr.11,2005	1335(290.65)	Apr.25,2005	1350(294.98)	May 9,2005	801(288.89)
Apr.13,2005	1340(293.65)	Apr.26,2005	1360(294.44)	May 10,2005	830(288.79)
Apr.18,2005	1335(293.71)	Apr.27,2005	1386(295.33)	May 12,2005	880(288.34)
Apr.19,2005	1325(293.71)	Apr.28,2005	1400(294.20)	May 12,2005	865(285.42)
Apr.20,2005	1326(292.59)	May 1,2005	1401(294.79)		
Apr.21,2005	1331(293.58)	May 2,2005	1430(296.11)		
		May 3,2005	No Transaction		

Source: Daily Floor Index of NEPSE

The Actual prices of Nepal Investment Bank before rights share announcement were Rs.1316, Rs.1340 Rs1325 and Rs.1326. This shows that there the price of Nepal Investment Bank is not showing significant differences before announcement date except on transaction i.e. of April13, 2005. But after the announcement date the prices started to increase from Rs.1332, Rs.1350, Rs.1360, Rs.1386, Rs.1400 and Rs.1430. There is no transaction on the

ex-right date. But after ex-right date on May 4, 2005 the share was traded at Rs.790 and again started to increase as Rs.801, Rs.830, Rs.880 and Rs.885.

This shows that Nepal Investment Bank shares are more sensitive in the sense that they response the signal of market. They follow the rules of right offering and show the bell shape movement. The price movement of Nepal Investment Bank Ltd. is presented below in the graph. The different dates (before announcement date, before ex-right date and after ex-right date) are plotted on the horizontal axis and share price and price index on the vertical axis. One can clearly see the price behavior in the different date.

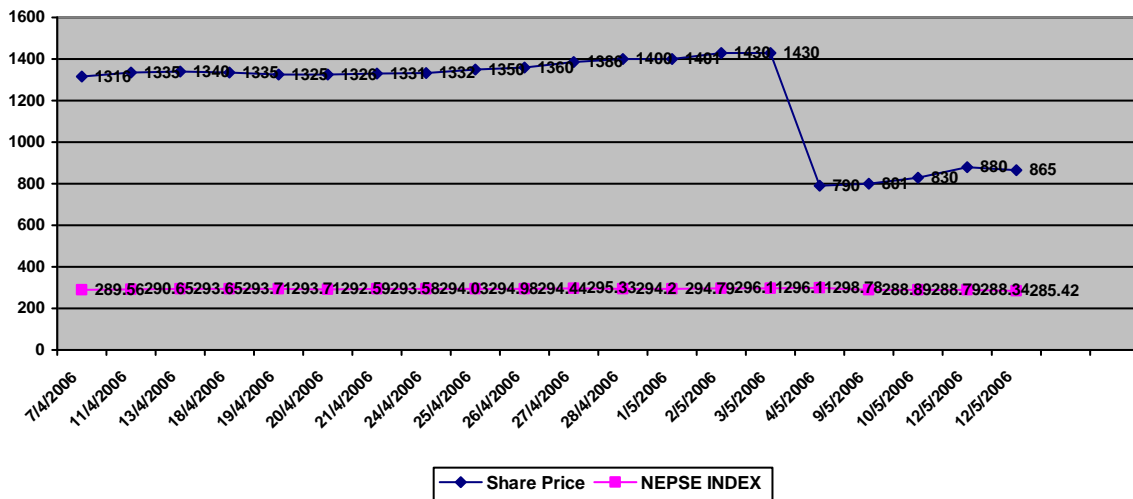


Fig. 4.8:

Share Price Movement of Nepal Investment Bank Ltd.

4.4.5 Analysis of Share Price Movement of Development Credit Bank Ltd.

Table 4.10

Before Announcement Date		Before Ex-right Date		After Ex-right Date	
Date	Share Price	Date	Share price	Date	Share Price
July 11,2005	300(285.04)	Aug. 1,2005	345(299.16)	Aug. 8,2005	260(300.55)
July 17,2005	315(287.90)	Aug. 2,2005	350(300.88)	Aug. 11,2005	260(300.80)
July 19,2005	331(289.93)	Aug. 3,2005	345(305.20)	Aug. 14,2005	260(300.94)
July 20,2005	340(290.88)	Aug. 4,2005	340(305.87)	Aug. 16,2005	260(300.05)
July 24,2005	345(291.97)	Aug. 5,2005	340(305.87)	Aug. 21,2005	260(295.45)
July 25,2005	340(292.47)			Aug. 23,2005	260(289.57)

July 28,2005	339(295.89)				
July 31,2005	338(296.78)	Aug. 7,2005	No Transaction		

Source: Daily Floor Index of NEPSE

The Actual prices of Development Credit Bank before rights share announcement were Rs.315, Rs331 Rs345 and Rs.340. This shows that there the price of Development Credit Bank is in increasing trend before announcement date. But after the announcement date there is not significant changes in market prices. There is no transaction on the ex-right date. But after ex-right date on August 8, 2005 the shares was traded at Rs.260 and remain same for an almost one month.

This shows that Development Credit Bank shares are less sensitive in the sense that there is no big difference between prices before and after announcement. They exactly follow the rules of right offering i.e. after ex-right price is decreased by the value of rights. The price movement of Development Credit Bank Ltd. is presented below in the graph. The different dates (before announcement date, before ex-right date and after ex-right date) are plotted on the horizontal axis and share price and price index on the vertical axis. One can clearly see the price behavior in the different date.

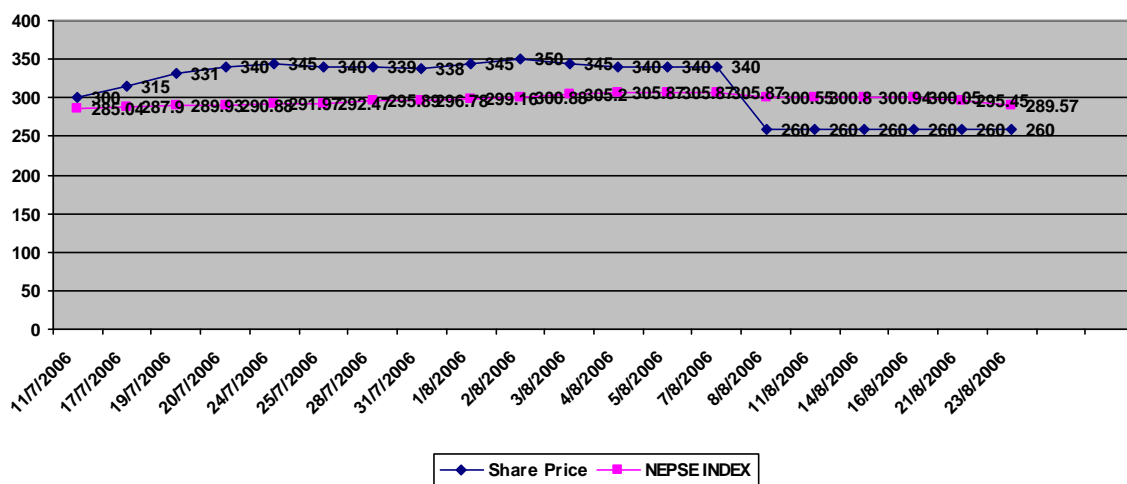


Fig. 4.9:

Share Price Movement of Development Credit Bank Limited

4.3.6 Analysis of Share Price Movement of National Finance Limited (Bittiya Sanstha)

Table 4.11

Before Announcement Date		Before Ex-right Date		After Ex-right Date	
Date	Share Price	Date	Share price	Date	Share Price
Sept.14,2004	350(229.99)			Nov.30,2004	370(238.92)
Sept.23,2004	350(234.12)			Apr.18,2005	370(293.71)
Oct.4,2004	350(234.89)	Nov.23,2004	367(240.40)	Apr.20,2005	355(292.59)
Oct.8,2004	350(233.81)	Nov.25,2004	370(241.57)	Apr.24,2005	345(294.03)
Nov.16,2004	350(235.37)	Nov.26,2004	370(241.65)	June 6,2005	342(281.40)
		Nov.27,2004	No Transaction	June14,2005	325(277.79)

Source: Daily Floor Index of NEPSE

The Actual prices of National Finance before rights share announcement were remain same for a long time. This shows that the price of National Finance is not showing any movement before announcement date. But after the announcement date the market price of National fiancé is started to increase. The market went up to Rs.370 before ex-right date. But there is no transaction on the ex-right date. But after ex-right date on November 30, 2004 the shares was traded as same as before ex-right date and then fall to Rs.355 after six months.

This shows that National Finance shares are less sensitive in the sense that there is little difference between prices before and after announcement. The right announcement does not affect the price of National Finance because there is no difference between the prices before and after right issue. The price movement of National Finance is presented below in the graph. The different dates (before announcement date, before ex-right date and after ex-right date) are plotted on the horizontal axis and share price and price index on the vertical axis. One can clearly see the price behavior in the different date.

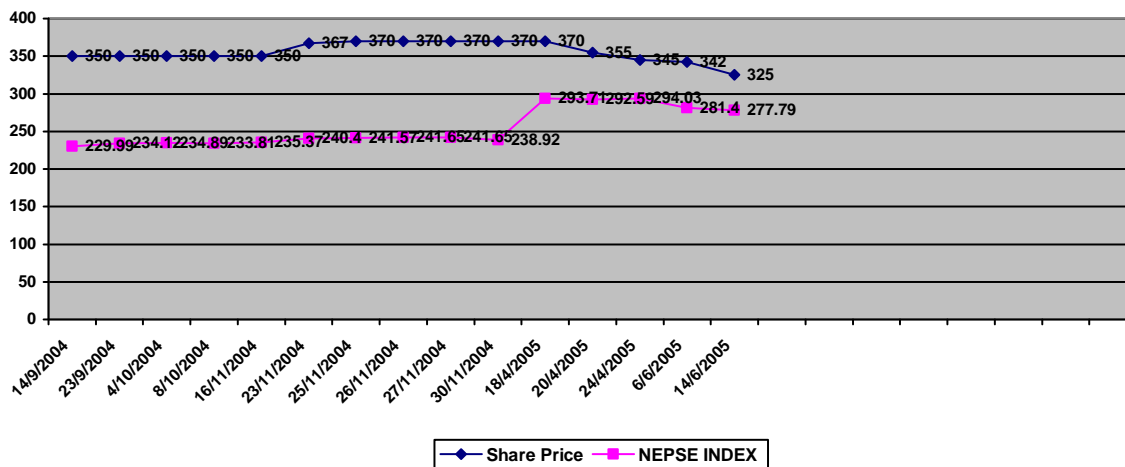


Fig. 4.10: Analysis of Share Price Movement of National Finance Ltd. (Bittiya Sanstha)

4.3.7 Analysis of Share Price Movement of Pokhara Finance Ltd. (Bittiya Sanstha)

Table 4.12

Before Announcement Date		Before Ex-right Date		After Ex-right Date	
Date	Share Price	Date	Share price	Date	Share Price
Mar.22,2006	341(338.86)	May10,2006	410(377.47)	Aug. 7,2006	400(383.14)
Mar.26,2006	358(337.86)	May14,2006	410(385.89)	Aug. 8,2006	400(390.86)
Mar. 27,2006	375(337.45)	May17,2006	410(384.58)	Aug.20,2006	400(389.23)
Mar. 28,2006	400(337.57)	June 6,2006	410(370.79)	Aug. 24,2006	400(379.93)
May 2,2006	410(372.45)	June 13,2006	410(370.79)	Aug. 31,2006	400(382.24)
		June 29,2006	410(375.14)		

Source: Daily Floor Index of NEPSE

The Actual prices of Pokhara Finance before rights share announcement were Rs.341, Rs.358, Rs.375 and Rs.400. This shows that the price of Pokhara Finance is in increasing trend. But after the announcement date the market price of Pokhara fiancé remain same till the ex-right date. After ex-right date the market price is decrease only Rs.10.

This shows that Pokhara Finance shares are less sensitive in the sense that there is little difference between prices before and after ex-right date. The price movement of Pokhara Finance is presented below in the graph. The different dates (before announcement date, before ex-right date and after ex-right date) are plotted on the horizontal axis and share price and price index on the vertical axis. One can clearly see the price behavior in the different.

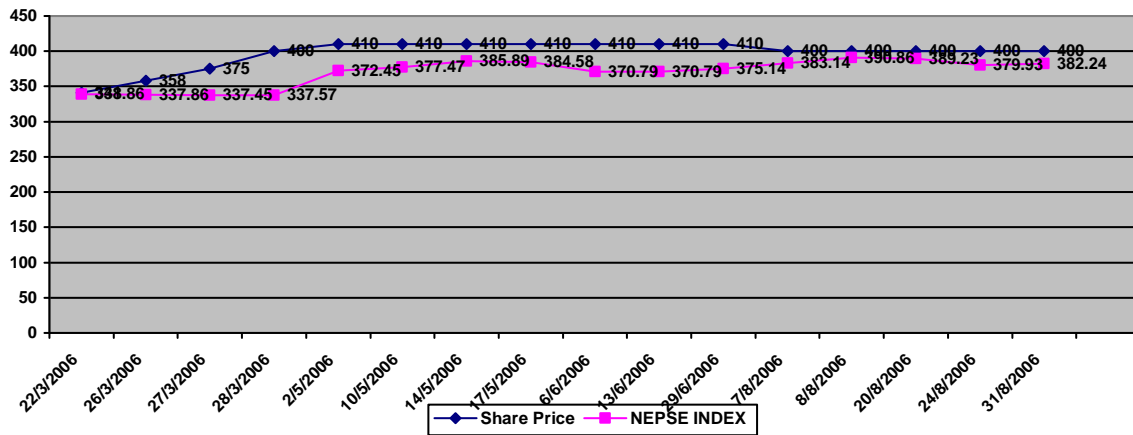


Fig. 4.11: Analysis of Share Price Movement of Pokhara Finance Ltd. (Bittiya Sanstha)

4.3.8 Analysis of Share Price Movement of Kist Merchant Banking & Finance Ltd (Bittiya Sanstha)

Table 4.13

Before Announcement Date		Before Ex-right Date		After Ex-right Date	
Date	Share Price	Date	Share price	Date	Share Price
Mar.12,2006	153(337.32)	Apr.2,2006	153(336.71)	Sept.12,2006	162(383.60)
Mar.21,2006	152(338.86)	Apr.4,2006	153(334.15)	Sept.13,2006	165(383.71)
Mar.23,2006	153(338.70)	Apr.5,2006	153(334.77)	Sept.14,2006	170(382.56)
Mar.26,2006	153(337.99)	Apr.16,2006	153(334.27)	Sept.19,2006	173(393.02)
Mar.28,2006	153(337.57)	May 15,2006	153(388.49)	Oct. 9, 2006	176(399.10)
				Oct.11,2006	173(397.98)
				Oct.16,2006	165(398.20)

Source: Daily Floor Index of NEPSE

The Actual prices of Kist Merchant Banking and Finance before rights share announcement were remain same at Rs.153 except on transaction dated on March 21, 2006. This shows that the price of Kist Merchant Banking and Finance is not showing significant movement before announcement date. And after the announcement date the market price of Kist fiancé remain same till the ex-right date. But there is no transaction on the ex-right date. But after ex-right date September 12, 2006 the shares was traded at Rs.162, Rs.165, Rs.170 and Rs.176 respectively on later.

This shows that Kist Merchant Banking and Finance shares are less sensitive in the sense that there is little difference between prices before and after announcement. And the difference between before and after ex-right price only Rs.9. The price movement of Kist Merchant Banking and Finance is presented below in the graph. The different dates (before announcement date, before ex-right date and after ex-right date) are plotted on the horizontal axis and share price and price index on the vertical axis. One can clearly see the price behavior in the different

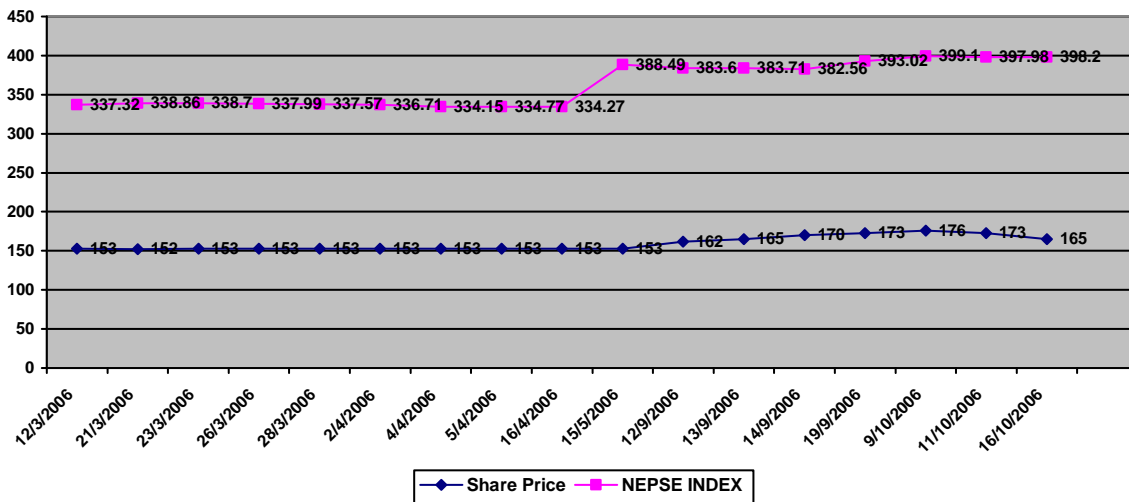


Fig. 4.12:

Analysis of Share Price Movement of Kist Merchant Banking & Finance Ltd (Bittiya Sanstha).

4.3.9 Correlation Coefficient between Share Price Movement and Market Movement

Immediately after the announcement of the right offering the market price of the stock would increase by some amount but theoretically it is said that the right offering does not affect the value of shareholders. But in practice, general market movement also affects the share price. So it is very important to study correlation between the share price movement of sample organization and general market movement. Sometime not only rights offering but also general movement cause decline in share price rise also.

After calculation the correlation between share price movements of sample companies and general market movement following results have been obtained.

Correlation Co-efficient between Share Price Movement and General Market Movement

Table 4.14

Sample organization	Correlation Coefficient	Coefficient of determination
Kumari Bank Ltd	-.127	0.016129
Lumbini Bank Limited	.622	0.386884
Machhhapuchchhre Bank Limited	-.229	0.052441
Nepal Investment Bank Ltd	.208	0.043264
Development Credit Bank Limited	.404	0.163216
National Finance Ltd.(Bittiya Sanstha)	-.899	0.808201
Pokhara Finance Ltd.(Bittiya Sanstha)	.417	0.173889
Kist Merchant Banking & Finance Ltd	.246	0.060516

Source: Daily Floor Index of NEPSE

When we observe the above table we can see that there is no consistent result of all sample organization. In case of Kumari Bank Ltd. correlation coefficient between share price movement and general market movement is -0.127. It means negative correlation between

both movements. Coefficient of determination is 1.6% indicates only 1.6% fluctuation is caused by general market movement.

But in case of Lumbini Bank Ltd. correlation between two movements is 0.622, which means there is a moderate degree of correlation and coefficient of determination is 38.68%. The share price of Lumbini Bank Ltd. is fluctuation 38.68% by market movement. In another case of Machhhapuchchhre Bank Limited the correlation between two movements also give negative result. i.e. -0.229 and coefficient of determination (r^2) is 5.24%. It means only 5.24% fluctuation is caused by general market movement. The rights issue causes remaining effects.

In case of Nepal Investment Bank Ltd. the relation between two variables is 0.208, which means there is low degree of correlation. The coefficient of determination is 4.32%. The effect of market movement in share price of NIB is only 4.32%. The remaining effect is due to right share announcement. In case of Development Credit Bank Ltd. there is low degree of correlation and only 16.32% is described by the general market movement.

Contrarily in case of National Finance there is high degree of negative correlation between share price of National Finance and general market movement i.e. -0.899. The coefficient of determination (r^2) is 80%. It means there is opposite relationship between two movements.

But Pokhara Finance and Kist Finance Ltd. show the low degree of positive relationship. The correlation between share price of Pokhara Finance Ltd. and overall movement of equity index is 0.417. The coefficient of determination is 17.38%, which indicates that only 17.38% movements of Pokhara Finance is explained by overall market movement and remaining is due to right offering. In case of Kist Merchant Banking and Finance, the relationship is 0.246 and the coefficient of determination (r^2) is 6.05%. So, we can say that Kist Merchant Banking and Finance share is hardly affected by the overall market movement.

After analyzing the result obtained from the sample organization, there is no consistence among the result. Some sample organization gives positive relation which means some percentage of share prices is affected by the general market movement and remaining is due to right offering. Perversely some sample organization gives negative relationship, which means the price index does not affects the share price. But we can conclude from above study that the some percentage of share price movement is definitely affected by market index.

4.3.10 Use of T- statistics To Measure the Impact of Right Offering Before and After Ex-Right Date

Theoretically on and after ex-rights date the value share is decreased by the value of right. To analyze whether the share price before ex-right date and after ex-right date differ significantly or not we have used paired t- test. For this we have taken the share price of before ex-right date and after ex-right date. Following table shows the calculated and tabulated values of t- statistics of respective companies.

Impact of Right offering before and after Ex-Right Date

Table 4.15

S N	Company	Test for	Significance level	DOF	t-tab	t-cal	Indifferences : difference is
1	Kumari Bank Ltd.	Share price	5%	6	2.447	1.402	In Significant
		Total Index	5%	6	2.447	2.1801	In Significant
2	Machhhapuchchhre Bank Limited	Share price	5%	6	2.447	7.5099	Significant
		Total Index	5%	6	2.447	2.8584	Significant
3	Lumbini Bank Limited	Share price	5%	6	2.447	2.9531	Significant
		Total Index	5%	6	2.447	1.4257	In Significant
4	Nepal Investment Bank Ltd	Share price	5%	6	2.447	39.7269	Significant
		Total Index	5%	6	2.447	3.1345	Significant
5	Development Credit Bank Limited	Share price	5%	6	2.447	47.2631	Significant
		Total Index	5%	6	2.447	1.2090	In Significant
6	National Finance Ltd.(BittiyaSanstha)	Share price	5%	6	2.447	1.0842	In Significant
		Total Index	5%	6	2.447	5.8031	Significant
7	Pokhara Finance Ltd	Share price	5%	6	2.447	0.07192	In Significant
		Total Index	5%	6	2.447	1.9808	In Significant
8	Kist Merchant Banking & Finance Ltd.	Share price	5%	6	2.447	8.4635	Significant
		Total Index	5%	6	2.447	6.6957	Significant

Source: Daily Floor Index of NEPSE

In the above table we can see that, t-calculated for share price of Kumari Bank Ltd. is 1.402 where as t-tabulated for 6 degree of freedom is 2.447 and the t-cal of price index is also less than t- tab. Therefore, there is no significant difference between the price before and after ex-right date.

In case of Lumbini Bank Limited t-calculated for share price is 2.9131 and t-tab is 2.447. In the same period t- calculated for market index is less than t- tabulated. So we can say that there is significant difference between the price before and after ex-rights date. But the movement of market index of this period is not considerably affected by right offering.

In case of Machhhapuchchhre Bank Limited t-calculated for share price is 7.5099 and t-tab is 2.447. In the same period t- calculated for market index is also greater than t- tabulated. So we can say that there is significant difference between the price before and after ex-rights date. It can be concluded that the change occurred due to rights offering and there is also significant difference in price index. Due to right offering the price went down ward.

In case of Nepal Investment Bank Ltd t-calculated for share price is 39.7269 and t-tab is 2.447. In the same period t- calculated for market index is also greater than t- tabulated. So we can say that there is significant difference between the price before and after ex-rights date. It can be concluded that the change occurred due to rights offering and there is also the effect of right offering in market index. Due to right offering the price went down ward.

In another case of Development Credit Bank Limited calculated value of t for share price is 47.2631 where as tabulated value at 5% significance level is 2.447 for 6 degree of freedom. From this figure, the significant change in share price is due to right announcement in the two different dates. But inversely the price index at the same period does not show significant change.

In case of National Finance Ltd. (Bittiya Sanstha) calculated value of t for share price is 1.0842 where as tabulated value at 5% level is 2.447 for 6 degree of freedom. But in the same period the calculated value of t for market index is greater than tabulated value. From this result we can concluded that the share price before and after ex-right date is not significantly differ but market index in the same period differ significantly.

In case of Pokhara Finance Ltd. (Bittiya Sanstha) calculated value of t for share price is 0.07192 where as tabulated value at 5% level is 2.447 for 6 degree of freedom. in the same period the calculated value of t for market index is also less than tabulated value. From this result we can concluded that the share price before and after ex-right date is not significant. This means the right announcement does not play the significant role in price level change. In

case of Goodwill finance the market price of share remain same in our study period. So it is not possible to calculate the t test for share price.

Last but not least the calculated value of t is 8.4635 for share price of Kist Merchant Banking & Finance Ltd. (Bittiya Sanstha). In the same period the calculated value of t for market index is 6.6957. From this figure it can be concluded that the share price differ significantly after and before ex-right date.

From these figures it can be concluded that the share prices before and after ex-right date significantly different in most of our sample company. Which means the change in the share price of stock is attributed by the announcement of the rights offering. Our alternative hypothesis (the share price before and after ex-right date differ significantly) is accepted in most of the cases. But in some cases it is rejected.

4.3.11 Use of Valuation of Rights

Tabulation of Market price before Ex-rights, Theoretical value of rights, Theoretical market price after Ex-rights and Real market price after ex-rights of sample companies

Table 4.16

S N	Name of the Sample Companies	Market Price before Ex right (Po)	Theoretical Value of Right (Vr)	Theoretical Market Price after Ex-Right (Pe)	Real Market Price After ex-right
1	Kumari Bank Limited	340	48	292	330
2	Machhapuchchhre Bank Limited	415	28.63	386.37	306
3	Lumbini Bank Limited	173	12.16	160.83	173
4	Nepal Investment Bank Limited	1430	665	765	790
5	Development Credit Bank Limited	340	80	260	260
6	National Finance Ltd	370	135	235	370
7	Goodwill FinanceLtd	185	42.5	142.5	185
8	Pokhara Finance Ltd	410	103.33	306.67	400
9	Kist Merchant Banking & Finance Ltd.	153	26.5	126.5	162

Source: Daily Floor Index of NEPSE

Especially our study is focus on the right share announcement and its effect in the price of a share. After calculating the Theoretical Market Price after EX-rights (Pe) and the Value of Right we see the real picture of the Market price of share and the Theoretical price of share. Almost all of our sample company didn't follow the principle of right offering. For example Kumari Bank's market price before ex-rights date (Po) was 340. The value of a right (Vr)

was 48 and theoretical market price after ex-rights (P_e) should be 292 but in the market place the share of Kumari Bank was traded at 330, which is greater than the theoretical value of share.

Lumbini Bank's market price before ex-rights date (P_o) was 173. The value of a right (V_r) was 12.16 and theoretical market price after ex-rights (P_e) should be 160.83 but in the market place the share of Lumbini Bank was traded at 173, which is somehow bigger than the theoretical value of share.

Machhapuchchhre Bank's market price before ex-rights date (P_o) was 415. The value of a right (V_r) was 28.63 and theoretical market price after ex-rights (P_e) should be 386.37 but in the market place the share of Machhapuchchhre Bank was traded at 306, which is lesser than the theoretical value of share.

Nepal Investment Bank's market price before ex-rights date (P_o) was 1430. The value of a right (V_r) was 665 and theoretical market price after ex-rights (P_e) should be 765 but in the market place the share of Nepal Investment Bank was traded at 790, which is somehow bigger than the theoretical value of share.

In case of Development Credit Bank's market price before ex-rights date (P_o) was 340. The value of a right (V_r) was 80. Theoretical market price after ex-rights (P_e) and the real market price after ex-rights both are same. So we can say that credit bank exactly follows the theory of right.

National Finance Limited's market price before ex-rights date (P_o) was 370. The value of a right (V_r) was 135 and theoretical market price after ex-rights (P_e) should be 235 but in the market place the share of National Finance was traded at 370, which is somehow bigger than the theoretical value of share.

Pokhara Finance's market price before ex-rights date (P_o) was 410. The value of a right (V_r) was 103.33 and theoretical market price after ex-rights (P_e) should be 306.67 but in the market place the share of Pokhara Finance was traded at 400, which is somehow greater than the theoretical value of share.

Kist Merchant Banking and Finance's market price before ex-rights date (P_o) was 153. The value of a right (V_r) was 26.5 and theoretical market price after ex-rights (P_e) should be 126.5 but in the market place the share of Kist Merchant Banking Finance was traded at 162, which is somehow greater than the theoretical value of share.

Primary Analysis

To make the study relevant, the researcher uses the primary sources also. The primary data are collected through objective questions only. There are many things which should be considerable during the primary research. This study mainly focused on the on procedure and problems of the right offering in. The respondents are from the different sectors such as investors, security brokers, security experts, employer in financial intuitions and students. Out of the 40 questionnaire distributed for the primary analysis, only 25 respondent returns the response within the time and those response are taken for the primary analysis.

4.4 The Procedure and Problems Associated with Right Share Announcement

Although the study is heavily based on secondary data, some information's are collected through primary data by taking personal interview and by distributing the questionnaire to concern person.

4.4.1 Sector wise Preference of Right Share in Nepal

In response to the question about investors' preference to sector wise rights share, following results has been obtained.

Table 4.17

Option	Rank				Total No of Respondent
	1	2	3	4	
Banking / Financial Institutions	25 (100%)	0	0	0	25
Manufacturing/ Trading	0	4 (16%)	15 (60%)	6 (24%)	25
Hotels/ Other	0	0	6 (24%)	19 (76%)	25
Insurance	0	21 (84%)	4 (16%)	0	25
Total No. of Respondents	25	25	25	25	

According to above table, for banking and financial sectors rights share ,25(100%)respondents ranked the first priority. for manufacturing and trading sectors rights share, 4(16%) and 6(24%) re4spomdents ranked the second, third and fourth priority respectively. similarly for hotels and other sectors rights share, 6(24%) and 19(76%) respondents ranked the third and fourth priority. for insurance sector rights share, 21 (84%) and 4(16%) respondents ranked the second and third priority respectively. due to better performance of the banking /financial sector, investors give the first priority to their rights share. from this point, researcher concluded that the investors have preferred the rights share. form this point, researcher concluded that the investors have preferred the right share according to the performance of related sector.

Interest of Investors to Purchase Right Share in Nepal

In response to the questions about investors' interest to purchase the rights share, following result have been obtained.

Table 4.18

Option	Rank				Total No of Respondent
	1	2	3	4	
Increase the value of share	10 (40%)	9(36%)	3 (12%)	3(12%)	25
Increase the no. of share	9 (36%)	4 (16%)	10 (40%)	2 (8%)	25
Increase the dividend	1 (4%)	3(12%)	10(40%)	11 (44%)	25
Maintain the control position	5(20%)	9 (36%)	2 (8%)	9(9%)	25
Total No. of Respondents	25	25	25	25	

According to above table, out of total responses ranked the first, second, third and fourth priority respectively that investors are interested to purchase the rights share to increase the value of share, 9(36%), 4(16%),10(40%and 2(8%) respondents The first, second, third and fourth priority respectively that investors are interested to purchase the rights share to increase the number of share. similarly 1(4%),3(12%),10(40%)and11(44%) respondents ranked the first, seconds, thirds and fourth priority respectively that investors are interested to purchase the rights share to maintain the control positions in management. From this point, researcher concludes that interests of purchase the right share are different.

Interest of Transferable Rights

In Nepal, rights are not transferable. In response to question about it, following result has been obtained.

Table 4.19

Option	Rank				Total No of Respondent
	1	2	3	4	
Sell the rights	7 (28%)	6(24%)	12 (48%)	0	25
Exercise the rights	10 (40%)	9 (36%)	6 (24%)	0	25
Partially sell or exercise right	8 (32%)	10(40%)	7(28%)	0	25
Neither sell nor exercise right	0	0	0	25(100%)	25
Total No. of Respondents	25	25	25	25	

According to above table, out of total respondents, 7(28%),6(24%)and 12(48%)respondents ranked the first, second and third priority respectively that if rights are transferable in Nepal, shareholders sell the rights. 10(40%), 9(36%)and6(24%)respondents ranked the first, second and third priority respectively that if rights are transferable in Nepal, shareholders exercise the rights. similarly 8(32%, 10(40%)and 7(28%) respondents ranked the first, second and third priority respectively that if rights are transferable in Nepal, share holders partially exercise or sell the rights. 25(100%) respondents ranked the fourth priority that of rights are transferable in Nepal, share holders neither sell nor exercise the rights. Thus researcher

concluded that if rights are transferable in Nepal, shareholders gives the first priority to exercise it, second priority to partially exercise or sell it, third priority to sell it and fourth priority to let them expire.

Beneficiaries of the Rights Share

In response to the question, the beneficiaries of the rights share, following result has been obtained.

Table 4.20

Option	Rank				Total No of Respondent
	1	2	3	4	
Issuing Company	10 (40%)	13(52%)	2 (8%)	0	25
Shareholders	14 (56%)	9 (36%)	0	2 (8%)	25
Issue Manager	1 (4%)	2(8%)	18(72%)	4 (16%)	25
Broker	0	1 (4%)	5 (20%)	19(76%)	25
Total No. of Respondents	25	25	25	25	

According to above table, out of total respondents, researcher found that 10(40%), 13(52%) and 2(8%) respondents ranked the first, second and third priority respectively that issuing companies are the beneficiaries of the rights share. 14(56%), 9(36%)and 2(8%) respondents ranked the first, second and fourth priority respectively that shareholders are the beneficiaries of the rights share. similarly 1(4%),2(8%)18(72%)and 4(16%) respondents ranked the first, second third and fourth priority respectively that issue managers are the beneficiaries if the rights share. 2(8%), 2(*%), and 21(84%) respondents ranked the first, third and fourth priority respectively that brokers are beneficiaries of the rights share. Form this point, researcher concluded that there is no any contradiction about that shareholder; issuing companies: issue managers and brokers are the main beneficiaries of the rights share respectively.

Causes of Right Share Announcement

In response to the questions about causes of the right share announcement instead of others share by Nepalese corporate firm, following result has been obtained.

Table 4.21

Option	Rank				Total No of Respondent
	1	2	3	4	
Low Flotation Cost	6 (24%)	13(52%)	6 (24%)	0	25
Easy Process to Collect Fund	11 (44%)	9 (36%)	5 (20%)	0	25
Maintain Control Position	6 (24%)	3(12%)	12(48%)	4 (16%)	25
Others	2(8%)	0	2 (8%)	21(84%)	25
Total No. of Respondents	25	25	25	25	

According to above table, out of total respondents, 6(24%), 13(52%) and 6(24%) respondents ranked the first, second and third priority respectively that Nepalese corporate firm prefers rights share instead of issuing other shares due easy process to collection the fund. Similarly, 6(24%), 3(12%), 12(48%)and 4(16%) respondents ranked the first, second, third and fourth priority respectively that Nepalese corporate firm prefers rights share instead of issuing other shares so that they can maintain the control position in management. 2(8%),2(8%)and 21(84%) respondents ranked the first, second, third and fourth priority respectively that Nepalese corporate firm prefers rights share instead of issuing other share, due to other causes like as legal provision etc. From this point, researcher concluded that Nepalese corporate firm gives the first, second third and fourth priority to easy process to collection the fund , flotation cost, to maintain control position and other causes respectively to prefer rights share instead of issuing other shares.

Causes of Under subscription of Right Share

In response to the question about the cause of under subscription of rights share in Nepal, the following result has been obtained.

Table 4.22

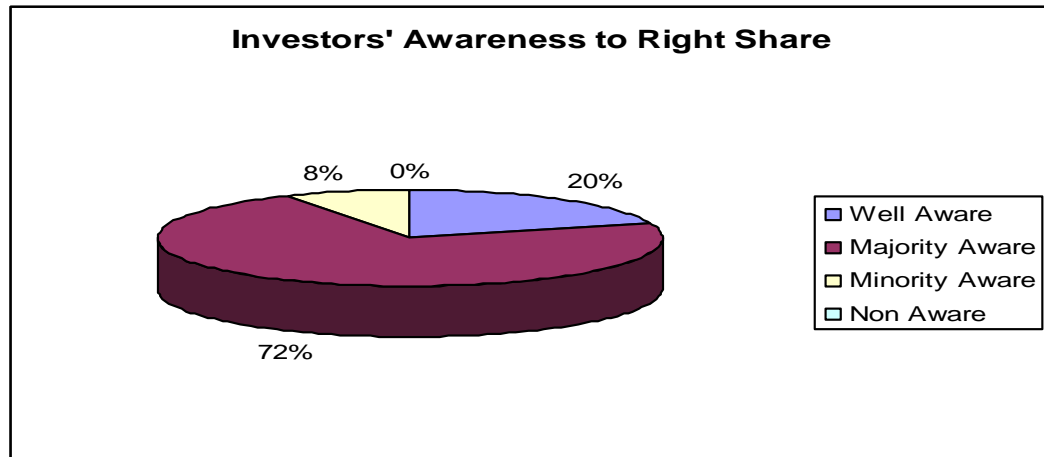
Option	Rank				Total No of Respondent
	1	2	3	4	
Low Performance of Related Co.	15(60%)	7(28%)	3 (12%)	0	25
Due to Non-transferable Feature	2(8%)	11(44%)	11 (44%)	1(4%)	25
Lack of Investors Awareness	8(32%)	7(28%)	10(40%)	0	25
Other Causes	0	9 (36%)	1(4%)	24(96%)	25
Total No. of Respondents	25	25	25	25	

According to above table, out of total respondents, 15(60%), 7(28%) and 3(12%) respondents ranked the first, second and third priority respectively that low performance of the related company is the major cause of under subscription of rights share. 2(8%), 11(44%), 11(44%) and 1(4%) respondents ranked the first, second, third and fourth priority respectively that due to non-transferable feature is the main cause of under subscription of rights share in Nepal. Similarly, 8(32%), 7(28%) and 10(40%) respondents rank the first, second and third priority respectively that due to lack of investors awareness, rights share are under subscribed in Nepal. 1(4%) and 24(96%) respondents ranked the third and fourth priority that due to other causes like as lack of perfect information, rights share are under subscribed in Nepal. From this point, researcher concluded that low performance of the related company, non-transferable feature, lack of investors awareness and other cause are the first, second, third and fourth causes respectively that rights share are under subscribed in Nepal.

4.4.7 Investors' Awareness to Right Share Announcement

In response to the question about the investors' awareness to the entire phenomenon of rights share, following result has been obtained.

Figure 4.13

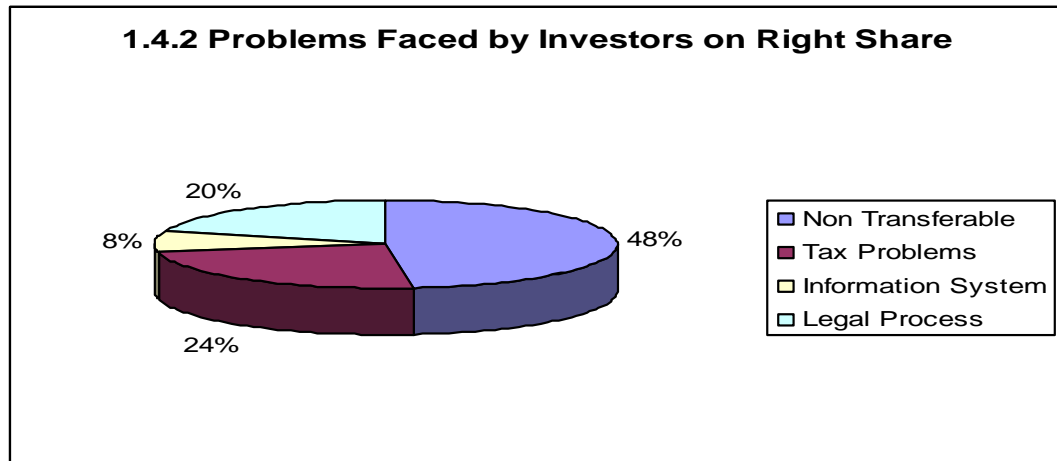


According to above figure, out of total respondent, 5(20%) respondents said that all of investors are well aware to the entire phenomenon of rights share. 18(72%) respondents said that majority of the investors are well aware to the entire phenomenon of rights share. 2(8%) respondents said that minority of the investors are well aware to the entire phenomenon of rights share. From this point, researcher concluded that majority of the investors are well aware to the entire phenomenon of rights share.

4.4.8 Problems Faced by Investors on Right Share

In response to the question about the problems faces by investors on right shares, following result has been obtained.

Figure 4.14

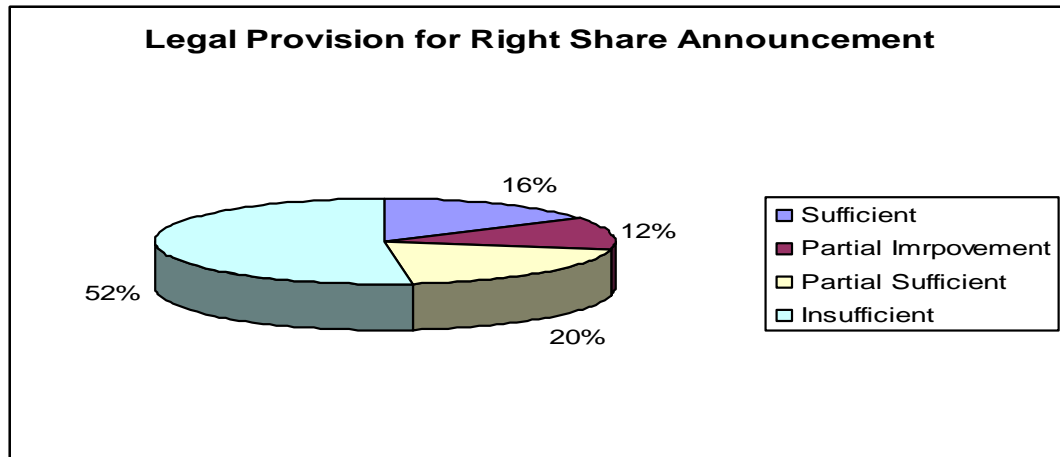


According to above figure, out of total respondents, 12(48%) respondents said that due to non-transferable of rights is the problems faced by investors. And 6(24%) respondents said that due to tax system (capital gain and dividend tax) investor faces difficulties. Out of the total 25 respondent, 5 (20%) and 2 (8%) respondent answered that the legal process and information system are the problems faced by the investors respectively. From this point, researcher concluded that due to non- transferable of rights in Nepal is the major problems to the investors in Nepalese security market.

4.4.9 Legal Provision for Right Share Announcement

In response to the question about the sufficiency of legal provisions regarding the rights share, following results has been obtained.

Figure 4.15

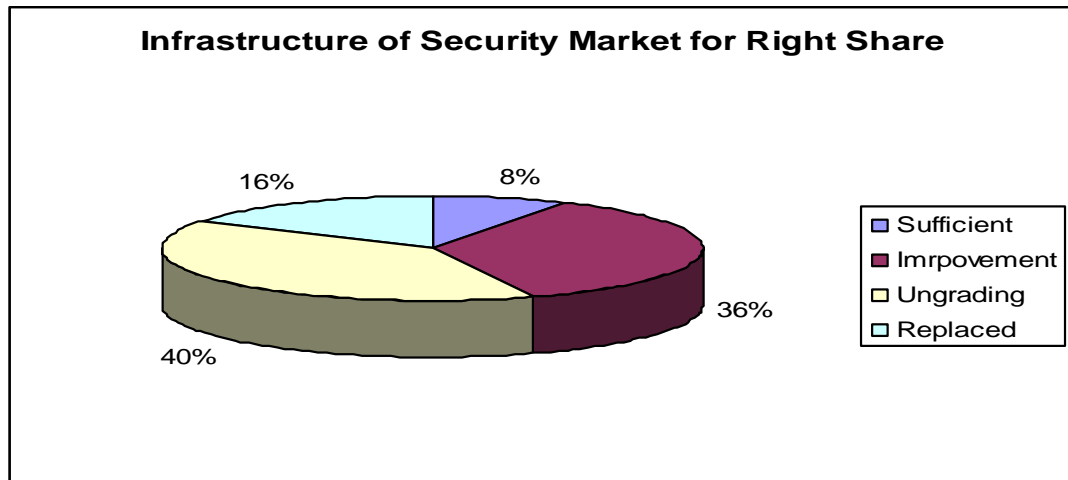


According to above figure, out of total respondents, 13(52%) said that legal provisions regarding the rights share in Nepal is insufficient. 5(20%), 4 (16%) and 3 (12%) respondents said that legal provisions regarding the rights share in Nepal are partial sufficient, partial improvement and sufficient respectively. From this point, researcher concluded that the legal provision regarding the right share in Nepal are insufficient like as transferable of rights, separate guidelines and directives, effectiveness, information provision.

4.4.10 Infrastructure of Security Market for Right Share

In response to the question about sufficiency of infrastructure in Nepalese security market to increase rights share practice, following results has been obtained.

Figure 4.16



According to above table and figure, out of total respondents, only 2(8%) respondents said that infrastructure of Nepalese security market to increase the rights share practice is sufficient. And 9 (36%), 4 (16%) and 10(40%) respondents said that infrastructure of Nepalese security market should improvement; replaced and upgrading respectively to increase the rights share practice. From this point, researcher concluded that, the infrastructure Nepalese security market is insufficient. To make it sufficient there should be develop and efficient security markets, develop economic condition of the country, develop investment opportunities, develop institutions etc.

4.5 Major Findings of the Study

After analyzing the secondary data as well as primary data, the researcher's major finding of this study are as follow:

Finding from Contribution and Practice of Right Offering

- I. Rights share issue is comparatively new practice in Nepal. Therefore only those sample companies whose market prospects is good, are able to increase the market capitalization through right issue but small and non reputed companies faces lots of problems in this regard.

- II. Right share announcement in Nepal is in increasing trend in recent years. It is mainly increased in the FY2007/08. Almost fifty percent of the total right share is issued in this fiscal year and also becomes the first type instrument in Nepalese security market. Its main reason is to maintain the equity capital requirement as per the NRB directives.
- III. The rights issue practice is mainly dominated by the banking and finance sectors. There are hardly few cases found of other sectors practicing the right issue.
- IV. The issuing of rights share has a long process. There is no time framework. The right announcement date, book closer date/ex-right date, right issue and closing dates are differ from one company to another. The announcement date and right issue date varies company to company. This makes the illusion to the investor and affects the market price of the related stock and it's hard to study the price behavior of market price.
- V. Out of the total 142 listed company, only 80 companies from different sector issued the right shares to increase the equity capital through 111 times of right offering
- VI. All the companies except Bottlers Nepal Ltd have issued their right share at par value. Due to legal constraints and fear of under subscription, companies can't issue at premium or discount.
- VII. Right share contributed 54.53 percent of the total public issue till the FY2007/08 and occupied first instrument in security market.
- VIII. All issue managers except United Finance Ltd have issued right shares. NIDC Capital Market Ltd is the largest issue manager in both number of issue and volume of right share and Nepal Sri Lanka Merchant Banking Ltd is the smallest.
- IX. Finance companies lead in the number of right issue but commercial banks are the largest sector in volume of the right share issue.
- X. Generally the volume of right shares depends upon the size and equity capital of the company. In Nepalese context, commercial banks and finance companies issue the larger amount of right share. Some companies have issued right share more than once. Nepal Share Market and Finance Company Ltd issued maximum time of right shares i.e. 5 times until 2007/08. Development Credit Bank Ltd has issued the largest amount of right share of amounting Rs 806.40 millions.

- XI. Most of the Nepalese investors prefer the banking and finance companies' share to invest rather than other companies.

Finding from Share price Movement

- I. There is significant difference in the share price before and after ex-right dates in most of the sample company but they don't follow the theory of right offering exactly.
- II. According to the theory, the share price after ex-right date will decrease by the value of a right but most of the sample companies market share price didn't decrease accordingly.
- III. Most of the finance companies don't show the significant change in the price before and after ex-right date. This means that the market does not show the greater interest in the small companies.
- IV. The share price of Kumari Bank Ltd is no significant difference between before and after ex-right date and also there is no relative change in market price. Kumari Bank's shares do not follow the theory of right announcement. There is negative correlation between share price of Kumari Bank Ltd and NEPSE index.
- V. The share price of Lumbini Bank is significant difference between the price before and after ex-rights date. The share price of Lumbini Bank Ltd correlation between two movements is a moderate degree of correlation. It is fluctuation 38.68% by market movement
- VI. The price of Machhapuchhre Bank is in increasing trend before rights share announcement. But after the announcement date, the price is gone down. There is significant change is found after ex-right day price. The correlation between two movements also gives negative result. So the change occurred due to rights offering and there is also significant difference in price index.
- VII. Nepal Investment Bank shares are more sensitive in the sense that they response the signal of market. They follow the rules of right offering. The relation between two variables is low degree of correlation. There is significant difference between the price before and after ex-rights date.

- VIII. Development Credit Bank shares are less sensitive in the sense that there is no big difference between prices before and after announcement. They exactly follow the rules of right offering i.e. after ex-right price is decreased by the value of rights. Development Credit Bank Ltd has low degree of correlation. There significant change in share price due to right announcement between before and after offering.
- IX. The share price of National Finance before rights share announcement remains same for a long time. But after the announcement date the market price is started to increase. There is high degree of negative correlation between share price of National Finance and general market movement. The share price before and after ex-right date is not significantly differ but market index in the same period differ significantly.
- X. The share price of Pokhara Finance is in increasing trend. But after the announcement date the market price remains same till the ex-right date. There is low degree of positive relationship .The share price before and after ex-right date is not significant. This means the right announcement does not play the significant role in price level change.
- XI. Kist Merchant Banking and Finance shares are less sensitive in the sense that there is little difference between prices before and after announcement. The share price of Kist Merchant Banking & Finance Ltd. differ significantly after and before ex-right date

Finding from Procedure of Rights Share in Nepal

- I. Shareholder of Nepalese companies has lack the knowledge about the right share, and its impact on share price. Due to this, free movement of share movement of share price during rights on and ex-right is not confirmed
- II. The legal provision for right share announcement is not sufficient. There is lengthy process to get permission from NRB, allotment process.
- III. There are not sufficient banking facilities to apply the right share.
- IV. There is not effective mechanism to collect the information about right share and related company to the shareholders.
- V. Legal provisions about right share in Nepal are insufficient. There is no clear and easy provision regarding the sell of under subscribed right shares.

- VI. Company Act is not adequate regarding the issue procedure of right share and allotment
- VII. Lack of provision to make rights share negotiable, which cause the under subscription of right share.
- VIII. Lack of clear and easy provision regarding the sales of under subscribed right shares

Finding from Problems of Rights Share Practice in Nepal

There are so many problems about rights share practice in Nepal. There a lot of things to be developed for the right share practice in Nepalese security market. Some of them are following:

- I. Under subscription of rights share is common phenomena as rights is not transferable in Nepal.
- II. Market imperfection is found through out the study period
- III. Lack of transferable of rights.
- IV. Lack of separate rule regarding right share.
- V. Limited investing opportunities.
- VI. Lack of investor awareness.
- VII. Lack of effective information.
- VIII. Low performance of the related companies.
- IX. Instability of capital and security market.
- X. Inefficiency and imperfect legal provision for the right offering.
- XI. Poor economic condition of Nepalese investors, capital and security market.
- XII. Lack of open market and free pricing.
- XIII. Subscription price is very low than its market priced.
- XIV. Poor infrastructure to develop the capital and security market.
- XV. Ineffective working system in security market.
- XVI. Large number of shareholders holding small number of share and they generally ignored right announcement, may causes under subscription.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This study focuses on the rights announcement and its impact on share price of the respective companies. Right offering and its impact on share price in Nepalese security market is an exciting and challenging study. For the effective operation of the business activities in global competitive environment, firm should need adequate fund. Right share is the one of the best alternatives source. In case of Nepalese security market, right share practice has no longer history. It is started only from FY 1995/96. Up to FY 2007/08, there are 111 cases of right share announcement through 80 companies. Right share contributed 54.53% of the total public issue in Nepalese security market.

Nepalese capital market has emerged from the issue of ordinary share by Biratnagar Jute Mill and Nepal Bank Ltd. Since then Nepalese capital market moves ahead and finally reached to this stage. But it is still in growth period comparing to develop one. Nepalese capital markets capitalization is less than that of one single or U.S. companies on the basis of the responses of the questionnaires and personal interview with related person.

Nepalese capital market is guided and regulated by company Act 2053, security Act, and other regulation enacted by security board and Nepal Rastra Bank as well. But in Nepalese context rights cannot be separated from the share and traded in open market. Company Act does not allow that. It also does not allow issuing the rights share less than par value which violated the essence of rights issue.

This study mainly focused on the right share practice and its impact on share price movement. From this study, the researcher wants to know about right share practice in Nepalese security market and to test the significance different on share price movement

between before and after the right share announcement. This is also important to compare the theoretical stock price with its market price after announcing the right share. This study on problems and procedure of right offering is also important for this study. The study is done under the certain boundaries.

There is very few investment instruments are in use viz. ordinary share, Debenture, Preference share, Mutual fund and Right share as well as other instruments such as warrants, convertible, options, transferable right are not in use. So most people cannot invest saving in highly productive sectors. And it also causes low market capitalization in stock market.

Some companies had issued right more than one time. Most right issuing companies are banks and finance companies, who hold the lions share in capital market. Theoretically immediately after the right announcement the share price does not change significantly and after the ex-right date the share price decreases by the value of right. But while observing the shares prices of sample companies a mix results have been obtained.

The study is heavily based on the secondary data although the primary data has been collected in some extent. Such data are collected by distributing the questionnaire, personal interview and informal taking. Secondary data are collected through different sources like published and unpublished documents, internet, web sites, SEBON and so on.

To conduct the study, all the possible phenomenon of right share is taken into consideration to analyze the right share practice and problems of right share announcement. Among the right issuing companies, only 8 companies, mainly from commercial banks and financial institutions are taken as samples to test the price effect and share price movement. Price of different periods are taken as the sample price to test the significant different in stock price.

5.2 Conclusion

From the analysis of primary and secondary data we can reach in following conclusion.

- 1 Right share practice is comparatively new for Nepalese security market. It is in increasing trend in recent year. It is the largest instrument in Nepalese security market
- 2 80 companies from different 8 sector are used the right share to increase the equity capital through different issue managers.
- 3 Most of the company has issued right share at par of Rs100. Most of the company faced the under subscription problems.
- 4 Issue manager are established for their activities only in valley. There is variation of rights share practice between issue managers.
- 5 All sectors have issued right share to increase equity capital. But commercial banks and finance companies dominated the other sectors.
- 6 The Nepalese share market is heavily affected by the signaling effects.
- 7 After the ex-rights date, the share price of the most of sample companies do not decrease according to the value of right; it's all because of the lack of market imperfection.
- 8 Price movements of all the sample companies of this study have not been similar. There is different movement's trend of share price between sample companies.
- 9 Correlation coefficient of the samples companies with NEPSE index is not similar.
- 10 There is similar result of hypothesis test about significant change before and after the announcements of right share.
- 11 Theoretical value and market value of stock is not similar except NIBL and DCBL.
- 12 From the analysis of primary data, most of the Nepalese investors are not aware about the phenomenon of rights issue.
- 13 Various rules and regulations are made to regulate and control the securities issues but there is no any separate rule about right share announcements and provision for right share in other rules and regulation are not sufficient.
- 14 Company Act has not been found to make the rights transferable and to make smooth transaction of rights share.
- 15 Investors mostly prefer the commercial banks and finance companies to invest. Interest of investors to purchase of right share is different.

- 16 Issuing companies and shareholders are the more beneficiaries from the right share.
- 17 Due to low flotation cost, process to collect fund and control position, NRB directives, Nepalese corporate firms refers the right share to issue rather than other.
- 18 Low performance of related companies non transferable and non separable feather, lack of investors awareness, the companies face the under subscription of right share in Nepal

5.3 Recommendations

After analyzing the data obtained from primary as well as secondary source we got various findings. These findings are directly and indirectly related with the right issue practice, its difficulties and effect on market prices of share. Here are some recommendations provided and they maybe useful for implementations of the right offering ant its impact on stock price in Nepalese security market, company's performance in term of reputation in terms of performance will increase; general market will take normal trend etc. The recommendations are as follows:-

- 1 First of all shareholders are mostly unknown about the right issue, its benefits and effect on their stock price. So concerned authorities such as issuing companies, SEBO/N, NEPSE, etc should organize the launch various program to increase the awareness about the right issue and its aspects.
- 2 Before the right share announcement an issue prospectus is prepared and circulated to the existing shareholders. But during the analysis it has been found, that unrealistic income statement is published. So, SEBO/N and office of company register should make provision to publish realistic prospectus an income statement.
- 3 Nepalese security market is heavily regulated and controlled by Company Act regarding the issue of securities. Company Act 2053 is totally silent about the procedure and mechanism of rights issue. So, it should be amended and should make a provision of transferable rights.
- 4 It is found that the share price behavior of all sample companies does not follow theory. In practice one major cause for this is the poor performance of company in

past. So the rights issuing company should improve their image to make the shareholders more safe and confident.

- 5 Lack of Investors Protection Act is another cause of under subscription of rights share. So, there should be a separate Investor Protection Act so that the investors can maintain their confidence over their investment and can feel secured.
- 6 The current practice is to distribute existing share among the employee of the respective companies but this violates the essence of theory of rights. So, Company Act should be amended to make clear provision regarding the issue of rights share and subsequent allotment of rights share.
- 7 One critical factor that affects the share price and subscription is the holder of record date. So, the rights share issuing companies should set the proper holder of record date so that every shareholder can purchase the additional share issued by them.

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Annex- A					
Total Public Issue From 1993/94 to 2007/08				(Rs. in million)	
S. N.	Name of Issuing Company	Types of securities	Amount of Issue Approved	Permission Date	Issue Manager
	(Fiscal Year 1993/94)				
1	Nepal Med Ltd.	Ordinary Share	2.70	28/07/1993	CIT
2	NIDC Capital Markets Ltd.	Mutual Fund	100.00	28/07/1993	NCML
3	Nepal Share Markets Co. Ltd.	Ordinary Share	4.00	21/09/1993	NCML
4	Himalayan General Insurance Co. Ltd.	Ordinary Share	12.00	28/09/1993	NCML
5	Harisiddhi Brick & Tiles Factory Ltd.	Ordinary Share	53.20	12/12/1993	NCML
6	Nimrod Pharmaceuticals Ltd.	Ordinary Share	18.00	16/12/1993	CIT
7	Nepal Lever Ltd.	Ordinary Share	13.80	30/12/1993	NCML
8	Necon Air Ltd.	Ordinary Share	16.50	10/1/1994	CIT
9	Necon Air Ltd.	Preference Share	14.00	10/1/1994	CIT
10	United Insurance Co. (Nepal) Ltd.	Ordinary Share	24.00	30/01/1994	NCML
11	Nepal SBI Bank Ltd.	Ordinary Share	36.00	22/02/1994	CIT
12	Peoples Finance Ltd.	Ordinary Share	9.80	8/5/1994	CIT
13	Annapurna Finance Ltd.	Ordinary Share	2.00	10/5/1994	NSML
14	Nepal Film Development Co. Ltd.	Ordinary Share	21.90	5/6/1994	NCML
15	Agro Nepal Ltd.	Ordinary	9.00	12/6/1994	CIT

		Share			
16	Birat Shoe Ltd.	Ordinary Share	5.00	21/06/1994	NCML
17	Birat Shoe Ltd.	Preference Share	2.50	21/06/1994	NCML
	Total		344.40		
	(Fiscal Year 1994/1995)				
1	Premier Insurance Co. Ltd.	Ordinary Share	12.00	18/08/1994	NCML
2	Ace Laboratries (Nepal) Ltd.	Ordinary Share	12.26	04//09/1994	NFCL
3	Nepal Bangaladesh Bank Ltd.	Ordinary Share	36.00	29/09/1994	NCML
4	Everest Insurance Co. Ltd.	Ordinary Share	12.00	3/10/1994	NCML
5	Himgiri Textile Industries Ltd.	Ordinary Share	19.20	8/11/1994	CIT
6	Balaju Textile Industries Ltd.	Ordinary Share	7.50	24/11/1994	NSML
7	Kathmandu Finance Co. Ltd.	Ordinary Share	8.00	29/01/1995	NCML
8	Leatherage Bansbari Tannery & Shoe Factory	Ordinary Share	15.00	14/03/1995	NCML
9	Citizen Investment Trust	Ordinary Share	16.00	10/4/1995	NFCL
10	Everest Bank Ltd.	Ordinary Share	36.00	26/04/1995	NCML
11	Kosh Byabasthapan Co. Ltd.	Ordinary Share	30.25	14/06/1995	NFCL
12	Citizen Investment Trust	Unit Scheme	50.00	29/06/1995	CIT
	Total		254.21		
	(Fiscal Year 1995/1996)				
1	Nepal Abbas Bikash Bitta Co. Ltd.	Ordinary Share	20.00	1/8/1995	RBB

2	Narayani Finance Co. Ltd.	Ordinary Share	4.00	11/9/1995	NFCL
3	Nepal Finance & Saving Co. Ltd.	Rights Share	2.00	22/10/1995	
4	Shree Brikuti Pulp & Paper Nepal Ltd.	Ordinary Share	105.00	5/12/1995	CIT
5	Yeti Finance Co. Ltd.	Ordinary Share	8.00	5/2/1996	NCML
6	Color Scan Nepal Ltd.	Ordinary Share	14.34	25/03/1996	CIT
7	HISEF Finance Ltd.	Ordinary Share	24.00	25/03/1996	NCML
8	Universal Finance and Capital Markets Ltd.	Ordinary Share	15.00	4/4/1996	CIT
9	Fleur Himalayan Co. Ltd.	Ordinary Share	12.28	7/4/1996	NCML
10	Ace Finance Co. Ltd.	Ordinary Share	12.00	14/04/1996	NSML
11	Samjhana Finance Ltd.	Ordinary Share	10.12	6/6/1996	RBB
12	Seti Cigarette Factory Ltd.	Rights Share	67.00	2/7/1996	
	Total		293.74		
	(Fiscal Year 1996/1997)				
1	Nepal Housing & Merchant Finance Ltd.	Ordinary Share	12.00	26/07/1996	NSML
2	Bank of Kathmandu Ltd.	Ordinary Share	45.00	3/10/1996	NCML
3	Himalyan General Insurance Co. Ltd.	Rights Share	30.00	3/4/1997	AFCL
4	Bottlers Nepal Ltd.	Rights Share	225.20	3/4/1997	CIT
5	Nepal Share Markets Co. Ltd.	Rights Share	20.00	13/05/1997	AFCL
	Total		332.20		
	(Fiscal Year 1997/1998)				
1	General Finance Co. Ltd.	Ordinary Share	8.00	17/08/1997	NSML
2	Nepal Bitumin & Barrel Udyog Ltd.	Ordinary	7.40	17/08/1997	NSML

		Share			
3	Shreeram Sugar Mills Ltd.	Ordinary Share	46.50	23/10/1997	NCML
4	Shreeram Sugar Mills Ltd.	Debenture	93.00	23/10/1997	NCML
5	Neco Insurance Ltd.	Ordinary Share	20.00	26/10/1997	CIT & RBB
6	Nepal United Co. Ltd.	Rights Share	3.01	16/11/1997	NFCL
7	Nepal Bank Ltd.	Rights Share	241.95	27/11/1997	CIT
8	Mahalaxmi Finance Co. Ltd.	Ordinary Share	10.00	15/12/1997	NFCL
9	Paschimanchal Finance Co. Ltd.	Ordinary Share	8.00	5/1/1998	NSML
10	Annapurna Finance Co. Ltd.	Rights Share	5.00	25/01/1998	NFCL
11	Lalitpur Finance Co. Ltd.	Ordinary Share	9.50	2/4/1998	NCML
12	Goodwill Finance & Investment Co.	Ordinary Share	10.00	27/05/1998	NCML
	Total		462.36		
	(Fiscal Year 1998/1999)				
1	Alliance Insurance Co. Ltd.	Ordinary Share	20.00	12/8/1998	CIT
2	Taragaon Regency Hotels Ltd.	Ordinary Share	120.00	16/12/1998	NCML, NMB
3	Taragaon Regency Hotels Ltd.	Preference Share	80.00	16/12/1998	NCML, NMB
4	Pokhara Finance Co. Ltd.	Ordinary Share	8.00	22/03/1999	CIT
5	Nepal Share Markets Co. Ltd.	Rights Share	30.00	25/05/1999	AFCL
	Total		258.00		
	(Fiscal Year 1999/2000)				
1	Universal Finance & Capital Market Ltd.	Ordinary Share	3.26	13/09/1999	CIT
2	Nepal Industrial & Commercial Bank Ltd.	Ordinary Share	175.00	15/11/1999	NCML & NMB

3	Necon Air Ltd.	Rights Share	89.60	21/01/2000	CIT
4	Lumbini Finance & Leasing Co. Ltd.	Ordinary Share	24.00	1/2/2000	NSML
5	Paschimanchal Finance Co. Ltd.	Rights Share	20.00	14/02/2000	NSML
6	Ace Finance Co. Ltd.	Rights Share	15.00	29/03/2000	NSML
7	Sagarmatha Insurance Co. Ltd.	Ordinary Share	10.20	14/06/2000	NCML
8	Oriental Hotels Ltd.	Ordinary Share	150.00	27/06/2000	NCML
	Total		487.06		
(Fiscal Year 2000/2001)					
1	Siddartha Finance Ltd.	Ordinary Share	8.00	7/11/2000	NMB
2	Nepal Merchant Banking & Finance Ltd.	Ordinary Share	50.00	30/11/2000	NCML
3	Alpic Everest Finance Ltd.	Ordinary Share	5.00	12/12/2000	NEFINSCO
4	Nepal Bangladesh Finance & Leasing Co. Ltd.	Ordinary Share	7.50	19/01/2001	NSML,NSMBL
5	Narayani Finance Ltd.	Rights Share	12.58	12/3/2001	NSML
6	Everest Bank Ltd.	Rights Share	119.21	30/05/2001	CIT
7	Nepal Development Bank Ltd.	Ordinary Share	48.00	18/06/2001	CIT, NMB
8	Bank of Kathmandu Ltd.	Rights Share	234.00	13/07/2001	NCML
	Total		484.29		
(Fiscal Year 2001/2002)					
1	Himalayan Distillery Ltd.	Ordinary Share	173.46	10/8/2001	NCML
2	Nepal Housing & Merchant Finance Ltd.	Rights Share	15.00	20/11/2001	NSML
3	Union Finance Co. Ltd.	Ordinary Share	24.00	20/12/2001	NCML
4	Development Credit Bank Ltd.	Ordinary Share	48.00	2/1/2002	NMB

5	Ace Finance Ltd.	Rights Share	45.00	2/1/2002	NSML
6	Nepal SBI Bank Ltd.	Rights Share	287.87	15/01/2002	NMB
7	NIDC Capital Markets Ltd.	Rights Share	40.00	18/03/2002	CIT
8	United Finance Ltd.	Ordinary Share	24.00	8/5/2002	NMB
9	Himalayan Bank Ltd.	Debenture	360.00	4/6/2002	NMB
10	Nepal Life Insurance Co. Ltd.	Ordinary Share	50.00	7/6/2002	NMB
11	Nirdhan Utthan Bank Ltd.	Ordinary Share	3.30	14/06/2002	CIT
12	Everest Bank Ltd.	Pref. Share	140.00	18/06/2002	NSML
13	International Leasing & Finance Co. Ltd.	Ordinary Share	30.00	26/06/2002	NMB
14	Gorkha Finance Ltd.	Ordinary Share	10.00	5/7/2002	NSML
15	Shree Investment & Finance Co. Ltd.	Ordinary Share	16.00	16/07/2002	CIT
	Total		1266.63		
	(Fiscal Year 2002/2003)				
1	Life Insurance Corporation (Nepal) Ltd.	Ordinary Share	50.00	22/07/2002	NCML
2	Nepal Srilanka Merchant Bank Ltd.	Ordinary Share	40.00	23/07/2002	NCML
3	NIDC Capital Markets Ltd.	Mutual Fund	100.00	9/8/2002	NCML Trusty: NIDC
4	Nepal Investment Bank Ltd.	Rights Share	57.24	19/08/2002	NCML
5	Janaki Finance Co. Ltd.	Ordinary Share	8.00	28/08/2002	NEFINSCO
6	Central Finance Co. Ltd.	Ordinary Share	8.00	17/09/2002	NCML
7	Navadurga Finance Co. Ltd.	Ordinary Share	8.00	4/12/2002	NEFINSCO
8	Premier Finance Co. Ltd.	Ordinary Share	8.00	24/12/2002	NCML

9	Machhauchhre Bank Ltd.	Ordinary Share	165.00	31/12/2002	NMB
10	Nepal Share Markets & Finance Ltd.	Rights Share	60.00	6/1/2003	CIT
11	Mahalaxmi Finance Ltd.	Rights Share	25.00	12/2/2003	NFCL
12	NB Insurance Co. Ltd.	Ordinary Share	20.00	2/4/2003	CIT
13	Peoples Finance Ltd.	Rights Share	20.00	5/5/2003	NCML
14	Butwal Finance Ltd.	Ordinary Share	20.00	22/05/2003	NMB
15	Om Finance Ltd.	Ordinary Share	8.00	18/06/2003	NEFINSCO
16	Laxmi Bank Ltd.	Ordinary Share	192.50	30/06/2003	CIT
17	Standard Finance Ltd.	Ordinary Share	24.00	1/7/2003	NMB
	Total		813.74		
	(Fiscal Year 2003/2004)				
1	Alpic Everest Finance Ltd.	Rights Share	20.00	21/08/2003	NEFINSCO
2	Nepal Investment Bank Ltd.	Debenture	300.00	14/10/2003	AFCL
3	Cosmic Merchant Banking & Finance Ltd.	Ordinary Share	24.00	21/10/2003	NMB
4	Kumari Bank Ltd.	Ordinary Share	150.00	12/11/2003	NCML, CIT
5	Siddhartha Finance Ltd.	Rights Share	20.00	14/11/2003	NEFINSCO
6	Fewa Finance Co. Ltd.	Ordinary Share	8.00	6/2/2004	NMB
7	Nepal Credit & Commerce Bank Ltd.	Ordinary Share	210.00	13/02/2004	NCML, CIT
8	Prudential Insurance Co. Ltd.	Ordinary Share	20.00	22/04/2004	NMB
9	NB Finance & Leasing Co. Ltd.	Rights Share	30.00	10/5/2004	NSMBL
10	Pashchimanchal Development Bank Ltd.	Ordinary Share	6.00	24/05/2004	NCML
11	Chhimake Development Bank Ltd.	Ordinary	3.00	24/05/2004	NMB

		Share			
12	Lumbini Bank Ltd.	Ordinary Share	150.00	2/6/2004	CIT
13	Kist Merchant Banking & Finance Ltd.	Ordinary Share	20.00	8/6/2004	NMB
14	NB Bank Ltd.	Rights Share	359.92	17/06/2004	NSMBL
15	World Merchant Banking & Finance Ltd.	Ordinary Share	24.00	8/7/2004	NMB
16	National Hydro Power Co. Ltd.	Ordinary Share	140.00	15/07/2004	NCML, NSMBL
	Total		1484.92		
	(Fiscal Year 2004/2005)				
1	Annapurna Finance Company Ltd.	Rights Share	20.00	7/10/2004	NCML
2	Birgunj Finance Ltd.	Ordinary Share	24.00	5/11/2004	NMB
3	Diprosce Bikash Bank Ltd.	Ordinary Share	3.48	12/1/2005	NMB
4	Nirdhan Udthan Bank Ltd.	Rights Share	15.00	28/03/2005	NMB
5	Everest Bank Ltd.	Debenture	300.00	30/03/2005	CIT
6	Nepal SBI Bank Ltd.	Rights Shares	215.93	6/4/2005	NMB
7	Everest Finance Ltd.	Ordinary Share	8.00	2/5/2005	NMB
8	Nepal Investment Bank Ltd.	Rights Shares	295.29	2/5/2005	AFCL
9	Capital Merchant Banking & Finance	Ordinary Share	28.00	24/05/2005	CIT
10	National Finance Ltd. (Bittiya Samsthan)	Rights Shares	43.20	2/6/2005	NCML
11	Development Credit Bank Ltd.	Rights Shares	80.00	14/07/2005	NMB
12	Chilime Hydropower Limited	Ordinary Share	237.41	14/07/2005	CIT
	Total		1270.31		
	(Fiscal Year 2005/2006)				
1	Siddhartha Bank Limited	Ordinary	150.00	3/8/2005	NCML & NMB

		Share			
2	Srijana Finance Limited (Bittiya Sansthan)	Ordinary Share	4.00	3/8/2005	NCML
3	Prudential Financial Institute Limited	Ordinary Share	24.50	17/08/2005	NCML
4	Bank of Kathmandu Limited	Debenture	200.00	7/9/2005	NMB
5	Merchant Finance Company Limited	Ordinary Share	12.00	20/09/2005	NEFINSCO
6	Kumari Bank Ltd.	Rights Share	125.00	23/11/2005	NCML
7	Nepal Development Bank	Rights Share	160.00	26/12/2005	NCML
8	Fewa Finance Company Ltd.	Rights Share	30.00	26/12/2005	NMB
9	Om Finance Ltd.	Rights Share	30.00	26/12/2005	NMB
10	Gandaki Financial Institution Limited	Ordinary Share	15.00	28/12/2005	NMB
11	Goodwill Finance Co. Ltd.	Rights Share	25.00	3/1/2006	NCML
12	Business Financial Institution Limited	Ordinary Share	12.00	5/1/2006	NCML
13	Royal Merchant Banking & Finance Ltd.	Ordinary Share	17.50	25/01/2006	CIT
14	Bajuratna Finance & Saving Co. Ltd.	Ordinary Share	10.50	31/01/2006	NCML
15	Central Finance Ltd. (Bittiya Sansthan)	Rights Share	12.00	2/2/2006	NCML
16	Taragaon Regency Hotels Ltd.	Rights Share	446.45	7/2/2006	NCML
17	Janaki Finance Co. Ltd. (Bittiya Sansthan)	Rights Share	10.00	21/02/2006	NEFINSCO
18	Guheshwori Merchant & Banking Ltd.	Ordinary Share	20.00	21/03/2006	NCML
19	Siddhartha Bikash Bank Ltd. (B. S.)	Ordinary Share	20.00	27/03/2006	NMB
20	Shikhar Insurance Co. Ltd.	Ordinary Share	25.00	19/04/2006	NMB
21	IME Financial Institution Limited.	Ordinary Share	17.50	26/04/2006	NMB
22	Machhapuchhre Bank Ltd.	Rights Share	165.00	1/5/2006	NMB

23	Bhrikuti Bikash Bank Ltd. (B.S.)	Ordinary Share	6.42	2/5/2006	NCML
24	Nepal Share Markets & Finance Ltd. (B.S.)	Rights Share	40.00	10/5/2006	CIT
25	Kist Merchant Banking & Finance (B.S.)	Rights Share	50.00	11/5/2006	NMB
26	Patan Finance Limited (B.S.)	Ordinary Share	20.00	29/05/2006	NEFINSCO
27	Nepal Investment Bank Ltd.	Debenture	250.00	30/05/2006	ACE
28	Nepal Industrial and Commercial Bank Ltd.	Debenture	200.00	31/05/2006	ACE
29	Nepal SBI Bank Ltd.	Debenture	200.00	25/06/2006	CIT
30	Narayani Audhogik Bikash Bank Ltd. (B.S)	Ordinary Share	6.00	29/06/2006	NEFINSCO
31	Pokhara Finance Ltd. (B.S.)	Rights Share	20.00	29/06/2006	NCML
32	Sanima Bikash Bittiya Sanstha Ltd.	Ordinary Share	96.00	4/7/2006	NMB
33	Paschimanchal Bikash Bank Ltd (BS)	Rights Share	28.00	9/7/2006	NCML
34	Lumbini Bank Limited	Rights Share	100.00	13/07/2006	NCML
	Total		2547.87		
	(Fiscal Year 2006/2007)				
1	Bageshwori Bikash Bank Ltd.(B.S)	Ordinary Share	9.00	18/07/2006	NMB
2	Peoples Finance Ltd. (B.S.)	Rights Share	40.00	3/8/2006	NCML
3	Chhimek Bikash Bank Ltd. (B.S.)	Rights Share	20.00	1/9/2006	NMB
4	Sahayogi Bikash Bank Ltd. (B.S.)	Ordinary Share	6.00	3/9/2006	NCML
5	Alpic Everest Finance Ltd. (B.S.)	Rights Share	20.00	7/9/2006	NMB
6	Nepal Development Bank Ltd. (B.S.)	Rights Share	160.00	30/10/2006	NCML
7	Navadurga Finance Co. Ltd. (B.S.)	Rights Share	11.00	12/12/2006	NEFINSCO
8	Gorkha Development Bank Ltd.	Ordinary Share	96.00	31/12/2006	NMB & NCML
9	Ace Finance Co. Ltd. (B.S.)	Rights Share	194.00	12/1/2007	NCML

10	Annapurna Finance Co. Ltd. (B.S.)	Rights Share	80.00	15/01/2007	NCML
11	Swabalamban Bikash Bank Ltd. (B.S.)	Ordinary Share	6.00	26/01/2007	NMB
12	Himchuli Bikash Bank Ltd.	Ordinary Share	12.00	4/2/2007	NCML
13	Imperial Financial Institution Ltd.	Ordinary Share	19.50	6/2/2007	NMB
14	Annapurna Bikash Bank Ltd. (B.S.)	Ordinary Share	29.40	21/02/2007	NEFINSCO
15	Yeti Finance Ltd. (B.S.)	Rights Share	6.25	5/3/2007	NCML
16	ICFC Bittiya Sanstha Ltd.	Ordinary Share	24.35	8/3/2007	NMB
17	Civil Merchant Bittiya Sanstha Ltd.	Ordinary Share	20.00	15/03/2007	NEFINSCO
18	Capital Merchant Banking & Finance Ltd.	Rights Share	84.00	28/03/2007	CIT
19	Laxmi Bank Limited	Rights Share	122.00	4/4/2007	NMB
20	Business Development Bank Ltd.	Rights Share	30.00	18/04/2007	ACE
21	Nepal Express Finance Limited	Ordinary Share	15.00	23/04/2007	NCML
22	Kist Merchant Banking & Finance Ltd.	Rights Share	100.00	4/5/2007	NCML
23	Siddhartha Bank Ltd.	Rights Share	100.00	16/05/2007	ACE
24	Excel Development Bank Ltd.	Ordinary Share	6.00	17/05/2007	NMB
25	Biratlaxmi Development Bank Ltd.	Ordinary Share	20.00	18/05/2007	NCML
26	Malika Development Bank Ltd.	Ordinary Share	15.00	27/05/2007	NMB
27	Lumbini Bank Ltd.	Rights Share	150.00	29/05/2007	ACE
28	Nepal Investment Bank Ltd.	Debenture	250.00	30/05/2007	ACE
29	Nepal Credit & Commerce Bank Ltd.	Rights Share	700.00	6/6/2007	CIT
30	Everest Bank Ltd.	Preference Share	400.00	26/06/2007	CIT
31	Merchant Finance Co. Ltd.	Ordinary	12.00	15/07/2007	NEFINSCO

		Share			
	Total		2757.50		
	Fiscal Year 2007/2008)				
1	Lumbini General Insurance Co. Ltd.	Ordinary Share	25.00	29/07/2007	NMB
2	Central Finance Company Ltd.	Rights Share	24.00	3/8/2007	NCML
3	Siddhartha Insurance Ltd.	Ordinary Share	25.00	12/8/2007	NMB
4	Seti Bittiya Sansthan Limited	Ordinary Share	4.90	23/09/2007	NCML
5	Nirdhan Uttan Bank Limited	Rights Share	39.52	26/09/2007	NCML
6	Nepal Share Markets & Finance Ltd.	Rights Share	240.00	28/09/2007	CIT
7	Infrastructure Development Bank Ltd.	Ordinary Share	24.00	3/10/2007	NMB
8	Agriculture Development Bank Ltd.	Ordinary Share	125.00	4/10/2007	ACE
9	Kuber Merchant Banking & Finance Ltd.	Ordinary Share	22.50	9/10/2007	NMB
10	Prabhu Finance Company Limited	Ordinary Share	48.00	14/10/2007	NMB
11	IME Financial Institution Ltd.	Rights Share	50.00	31/10/2007	NMB
12	Paschimanchal Development Bank Ltd.	Rights Share	47.50	4/11/2007	ACE
13	Bhrikuti Bikash Bank Ltd.	Rights Share	30.03	12/11/2007	NCML
14	Capital Merchant Banking & Finance Ltd.	Rights Share	161.00	12/11/2007	ACE
15	Premier Finance Company Ltd.	Rights Share	14.40	28/11/2007	NCML
16	Development Credit Bank Ltd.	Rights Share	806.40	13/12/2007	NMB
17	Nepal Merchant Banking & Finance Ltd. .	Rights Share	800.00	13/12/2007	NFL
18	Nepal Investment Bank Ltd.	Rights Share	201.28	9/1/2008	ACE
19	Sagarmatha Insurance Company Ltd.	Rights Share	23.56	14/01/2008	ACE
20	Siddhartha Development Bank Ltd.	Rights Share	50.00	16/01/2008	ACE

21	Prudential Bittiya Sanstha Ltd.	Rights Share	50.00	16/01/2008	ACE
22	Nepal Electricity Authority	Debenture	1500.00	25/01/2008	NMB
23	Nepal Development & Employment Bank	Ordinary	128.00	6/2/2008	ACE
24	Siddhartha Bank Ltd.	Rights Share	138.00	6/2/2008	NMB
25	NIC Bank Ltd.	Rights Share	158.40	15/02/2008	NCML
26	Lumbini Bank Ltd.	Rights Share	250.00	10/3/2008	ACE
27	Kumari Bank Ltd.	Rights Share	180.00	24/03/2008	NCML
28	Laxmi Bank Ltd.	Rights Share	183.00	3/4/2008	NMB
29	Sanima Bikash Bank Ltd.	Rights Shares	64.00	3/4/2008	NCML
30	Paschimanchal Finance Co. Ltd.	Rights Share	27.83	4/4/2008	NFL
31	Kumari Bank Ltd.	Debenture	400.00	4/24/2008	NMB
32	Kist Merchant Banking and Finance	Rights Share	600.00	4/24/2008	ACE
33	Ace Development Bank Ltd.	Rights Share	96.00	5/4/2008	NCML
34	Goodwill Finance Ltd.	Rights Share	50.00	5/4/2008	ACE
35	Gorkha Development Bank	Rights Share	160.00	5/6/2008	CIT
36	Business Development Bank	Rights Share	150.00	5/8/2008	ACE
37	Himchuli Bikash Bank Ltd.	Rights Share	60.00	5/8/2008	NCML
38	United Finance Ltd.	Rights Share	75.00	5/8/2008	NCML
39	Nepal Express Finance Ltd.	Rights Share	30.00	5/12/2008	NCML
40	Royal Merchant Banking & Finance	Rights Share	60.14	5/12/2008	ACE
41	ICFC BittiyaSanstha	Rights Share	224.81	5/13/2008	NMB
42	Kaski Finance Ltd.	Ordinary	20.00	5/18/2008	NMB
43	Shikhar Bittiya Sansthan Ltd.	Ordinary	20.00	5/18/2008	NEFINSCO
44	International Leasing and Finance Ltd.	Rights Share	504.00	5/18/2008	NCML
45	Annapurna Bikash Bank Ltd.	Rights Share	150.00	5/18/2008	NEFINSCO
46	Clean Energy Development Bank	Ordinary	96.00	5/23/2008	NMB
47	Reliable Investment Bittiya Sanstha	Ordinary	24.75	5/26/2008	NMB & NCML

48	Lord Buddha Financial Institution	Ordinary	22.50	5/26/2008	ACE
49	Nepal Housing & Merchant Finance	Rights Share	80.44	5/26/2008	ACE
50	Sahayogi Bikash Bank	Rights Share	10.00	5/26/2008	NCML
51	Subechchha Bikash Bank	Ordinary	12.00	5/27/2008	ACE
52	Sagarmatha Merchant and Finance	Ordinary	20.00	5/27/2008	CIT
53	Triveni Bikash Bank	Ordinary	15.00	6/1/2008	ACE
54	Himalayan Bank Ltd.	Debenture	500.00	6/1/2008	ACE
55	Shree Investment Finance Ltd.	Rights Share	16.80	6/1/2008	NMB
56	Premier Insurance Co Ltd.	Rights Share	39.00	6/1/2008	ACE
57	Standard Finance Ltd.	Rights Share	72.60	6/3/2008	NCML
58	Guheshwori Merchant Banking & Finance	Rights Share	37.01	5/6/2008	NCML
59	Narayani Finance Ltd.	Rights Share	150.07	5/6/2008	NMB
60	Himalayan General Insurance	Rights Share	37.80	6/6/2008	ACE
61	Nepal Investment Bank	Debenture	250.00	6/16/2008	ACE
62	Gorkha Finance Ltd.	Rights Share	30.00	6/22/2008	CIT
63	Nepal Awas Bikash Bitta Company	Rights Share	70.49	6/24/2008	NFL
64	Kathmandu Finance Limited	Rights Share	37.95	6/25/2008	ACE
65	Nabil Bank Ltd.	Debenture	300.00	6/29/2008	NCML
66	Neco Insurance Company Ltd.	Rights Share	55.00	6/30/2008	CIT
67	Global Bank Ltd.	Ordinary	300.00	7/1/2008	NCML
68	National Hydro Power Company Ltd.	Rights Share	694.94	7/1/2008	NCML
69	Machhapuchhre Bank Ltd.	Rights Share	492.99	7/2/2008	NMB
70	Yeti Finance Ltd.	Rights Share	31.25	7/2/2008	ACE
71	Gandaki Bikash Bank Ltd.	Rights Share	50.00	7/7/2008	NMB
72	Pasupati Development Bank Ltd.	Ordinary	80.00	7/13/2008	NEFINSCO & NCML
	Total		11567.86		

Sectorwise Right Offering

SN	Company Name	Amout	Date	Issue Manager
Commercial Bank				
1	Nepal Investment Bank Ltd.	295.290	2/5/2005	AFCL
2	Siddhartha Bank Ltd.	100.000	16/05/2007	ACE
3	Lumbini Bank Ltd.	150.000	29/05/2007	ACE
4	Nepal Investment Bank Ltd.	201.280	9/1/2008	ACE
5	Lumbini Bank Ltd.	250.000	10/3/2008	ACE
6	Nepal Bank Ltd.	241.950	27/11/1997	CIT
7	Everest Bank Ltd.	119.210	30/05/2001	CIT
8	Nepal Credit & Commerce Bank Ltd.	700.000	6/6/2007	CIT
9	Bank of Kathmandu Ltd.	234.000	13/07/2001	NCML
10	Nepal Investment Bank Ltd.	57.240	19/08/2002	NCML
11	Kumari Bank Ltd.	125.000	23/11/2005	NCML
12	Lumbini Bank Limited	100.000	13/07/2006	NCML
13	NIC Bank Ltd.	158.400	15/02/2008	NCML
14	Kumari Bank Ltd.	180.000	24/03/2008	NCML
15	Nepal SBI Bank Ltd.	287.870	15/01/2002	NMB
16	Nepal SBI Bank Ltd.	215.930	6/4/2005	NMB
17	Development Credit Bank Ltd.	80.000	14/07/2005	NMB
18	Laxmi Bank Limited	122.000	4/4/2007	NMB
19	Siddhartha Bank Ltd.	138.000	6/2/2008	NMB
20	Laxmi Bank Ltd.	183.000	3/4/2008	NMB
21	Machhapuchchhre Bank Ltd.	492.990	7/2/2008	NMB

22	NB Bank Ltd.	359.920	17/06/2004	NSMBL
23	Machhapuchhre Bank Ltd.	165.000	1/5/2006	NMB
24	Development Credit Bank Ltd.	806.400	13/12/2007	NMB
	Total	5763.480		
Development Bank				
1	Business Development Bank Ltd.	30.000	18/04/2007	ACE
2	Paschimanchal Development Bank Ltd.	47.500	4/11/2007	ACE
3	Siddhartha Development Bank Ltd.	50.000	16/01/2008	ACE
4	Business Development Bank	150.000	5/8/2008	ACE
5	Gorkha Development Bank	160.000	5/6/2008	CIT
6	Nepal Development Bank	160.000	26/12/2005	NCML
7	Ace Finance Co. Ltd. (B.S.)	194.000	12/1/2007	NCML
8	Paschimanchal Bikash Bank Ltd (BS)	28.000	9/7/2006	NCML
9	Nepal Development Bank Ltd. (B.S.)	160.000	30/10/2006	NCML
10	Bhrikuti Bikash Bank Ltd.	30.030	12/11/2007	NCML
11	Sanima Bikash Bank Ltd.	64.000	3/4/2008	NCML
12	Ace Development Bank Ltd.	96.000	5/4/2008	NCML
13	Himchuli Bikash Bank Ltd.	60.000	5/8/2008	NCML
14	Sahayogi Bikash Bank	10.000	5/26/2008	NCML
15	Chhimek Bikash Bank Ltd. (B.S.)	20.000	1/9/2006	NMB
16	Gandaki Bikash Bank Ltd.	50.000	7/7/2008	NMB
17	Annapurna Bikash Bank Ltd.	150.000	5/18/2008	NEFINSCO
18	Ace Finance Co. Ltd.	15.000	29/03/2000	NSML
19	Ace Finance Ltd.	45.000	2/1/2002	NSML

20	Nirdhan Uttan Bank Limited	39.520	26/09/2007	NCML
21	Nirdhan Udthan Bank Ltd.	15.000	28/03/2005	NMB
	Total	1574.050		
Finance Company				
1	Nepal Share Markets Co. Ltd.	20.000	13/05/1997	AFCL
2	Nepal Share Markets Co. Ltd.	30.000	25/05/1999	AFCL
3	Capital Merchant Banking & Finance Ltd.	161.000	12/11/2007	ACE
4	Prudential Bittiya Sanstha Ltd.	50.000	16/01/2008	ACE
5	Kist Merchant Banking and Finance	600.000	4/24/2008	ACE
6	Goodwill Finance Ltd.	50.000	5/4/2008	ACE
7	Royal Merchant Banking & Finance	60.140	5/12/2008	ACE
8	Nepal Housing & Merchant Finance	80.440	5/26/2008	ACE
9	Kathmandu Finance Limited	37.950	6/25/2008	ACE
10	Yeti Finance Ltd.	31.250	7/2/2008	ACE
11	NIDC Capital Markets Ltd.	40.000	18/03/2002	CIT
12	Nepal Share Markets & Finance Ltd.	60.000	6/1/2003	CIT
13	Nepal Share Markets & Finance Ltd. (B.S.)	40.000	10/5/2006	CIT
14	Capital Merchant Banking & Finance Ltd.	84.000	28/03/2007	CIT
15	Nepal Share Markets & Finance Ltd.	240.000	28/09/2007	CIT
16	Gorkha Finance Ltd.	30.000	6/22/2008	CIT
17	Peoples Finance Ltd.	20.000	5/5/2003	NCML
18	Annapurna Finance Company Ltd.	20.000	7/10/2004	NCML
19	National Finance Ltd. (Bittiya Samsthan)	43.200	2/6/2005	NCML
20	Goodwill Finance Co. Ltd.	25.000	3/1/2006	NCML

21	Central Finance Ltd. (Bittiya Sansthan)	12.000	2/2/2006	NCML
22	Pokhara Finance Ltd. (B.S.)	20.000	29/06/2006	NCML
23	Peoples Finance Ltd. (B.S.)	40.000	3/8/2006	NCML
24	Annapurna Finance Co. Ltd. (B.S.)	80.000	15/01/2007	NCML
25	Yeti Finance Ltd. (B.S.)	6.250	5/3/2007	NCML
26	Kist Merchant Banking & Finance Ltd.	100.000	4/5/2007	NCML
27	Central Finance Company Ltd.	24.000	3/8/2007	NCML
28	Premier Finance Company Ltd.	14.400	28/11/2007	NCML
29	United Finance Ltd.	75.000	5/8/2008	NCML
30	Nepal Express Finance Ltd.	30.000	5/12/2008	NCML
31	International Leasing and Finance Ltd.	504.000	5/18/2008	NCML
32	Standard Finance Ltd.	72.600	6/3/2008	NCML
33	Guheshwori Merchant Banking & Finance	37.010	5/6/2008	NCML
34	Fewa Finance Company Ltd.	30.000	26/12/2005	NMB
35	Om Finance Ltd.	30.000	26/12/2005	NMB
36	Kist Merchant Banking & Finance (B.S.)	50.000	11/5/2006	NMB
37	Alpic Everest Finance Ltd. (B.S.)	20.000	7/9/2006	NMB
38	IME Financial Institution Ltd.	50.000	31/10/2007	NMB
39	ICFC BittiyaSanstha	224.810	5/13/2008	NMB
40	Shree Investment Finance Ltd.	16.800	6/1/2008	NMB
41	Narayani Finance Ltd.	150.070	5/6/2008	NMB
42	Alpic Everest Finance Ltd.	20.000	21/08/2003	NEFINSCO
43	Siddhartha Finance Ltd.	20.000	14/11/2003	NEFINSCO
44	Janaki Finance Co. Ltd. (Bittiya Sansthan)	10.000	21/02/2006	NEFINSCO

45	Navadurga Finance Co. Ltd. (B.S.)	11.000	12/12/2006	NEFINSCO
46	Paschimanchal Finance Co. Ltd.	20.000	14/02/2000	NSML
47	Narayani Finance Ltd.	12.580	12/3/2001	NSML
48	Nepal Housing & Merchant Finance Ltd.	15.000	20/11/2001	NSML
49	Annapurna Finance Co. Ltd.	5.000	25/01/1998	NFCL
50	Mahalaxmi Finance Ltd.	25.000	12/2/2003	NFCL
51	Nepal Merchant Banking & Finance Ltd.	800.000	13/12/2007	NFL
52	Paschimanchal Finance Co. Ltd.	27.830	4/4/2008	NFL
53	Nepal Awas Bikash Bitta Company	70.490	6/24/2008	NFL
54	NB Finance & Leasing Co. Ltd.	30.000	10/5/2004	NSMBL
55	Nepal Finance & Saving Co. Ltd.	2.000	22/10/1995	
	Total	4378.820		
Insurance Company				
1	Himalyan General Insurance Co. Ltd.	30.000	3/4/1997	AFCL
2	Sagarmatha Insurance Company Ltd.	23.560	14/01/2008	ACE
3	Premier Insurance Co Ltd.	39.000	6/1/2008	ACE
4	Himalayan General Insurance	37.800	6/6/2008	ACE
5	Neco Insurance Company Ltd.	55.000	6/30/2008	CIT
	Total	185.360		
Hotels				
1	Taragaon Regency Hotels Ltd.	446.450	7/2/2006	NCML
	Total	446.450		
Manufacturing and Processing Company				
1	Bottlers Nepal Ltd.	225.200	3/4/1997	CIT

2	Seti Cigarette Factory Ltd.	67.000	2/7/1996	
To		292.200		
Trading Company				
1	Nepal United Co. Ltd.	3.010	16/11/1997	NFCL
Total		3.010		
Others				
3	Necon Air Ltd.	89.600	21/01/2000	CIT
35	National Hydro Power Company Ltd.	694.940	7/1/2008	NCML
Total		784.540		

Sectorwise Right Offering

SN	Company Name	Amout	Date	Issue Manager
Commercial Bank				
1	Nepal Investment Bank Ltd.	295.290	2/5/2005	AFCL
2	Siddhartha Bank Ltd.	100.000	16/05/2007	ACE
3	Lumbini Bank Ltd.	150.000	29/05/2007	ACE
4	Nepal Investment Bank Ltd.	201.280	9/1/2008	ACE
5	Lumbini Bank Ltd.	250.000	10/3/2008	ACE
6	Nepal Bank Ltd.	241.950	27/11/1997	CIT
7	Everest Bank Ltd.	119.210	30/05/2001	CIT
8	Nepal Credit & Commerce Bank Ltd.	700.000	6/6/2007	CIT
9	Bank of Kathmandu Ltd.	234.000	13/07/2001	NCML
10	Nepal Investment Bank Ltd.	57.240	19/08/2002	NCML
11	Kumari Bank Ltd.	125.000	23/11/2005	NCML
12	Lumbini Bank Limited	100.000	13/07/2006	NCML
13	NIC Bank Ltd.	158.400	15/02/2008	NCML

14	Kumari Bank Ltd.	180.000	24/03/2008	NCML
15	Nepal SBI Bank Ltd.	287.870	15/01/2002	NMB
16	Nepal SBI Bank Ltd.	215.930	6/4/2005	NMB
17	Development Credit Bank Ltd.	80.000	14/07/2005	NMB
18	Laxmi Bank Limited	122.000	4/4/2007	NMB
19	Siddhartha Bank Ltd.	138.000	6/2/2008	NMB
20	Laxmi Bank Ltd.	183.000	3/4/2008	NMB
21	Machhapuchchhre Bank Ltd.	492.990	7/2/2008	NMB
22	NB Bank Ltd.	359.920	17/06/2004	NSMBL
23	Machhapuchchhre Bank Ltd.	165.000	1/5/2006	NMB
24	Development Credit Bank Ltd.	806.400	13/12/2007	NMB
	Total	5763.480		
Development Bank				
1	Business Development Bank Ltd.	30.000	18/04/2007	ACE
2	Paschimanchal Development Bank Ltd.	47.500	4/11/2007	ACE
3	Siddhartha Development Bank Ltd.	50.000	16/01/2008	ACE
4	Business Development Bank	150.000	5/8/2008	ACE
5	Gorkha Development Bank	160.000	5/6/2008	CIT
6	Nepal Development Bank	160.000	26/12/2005	NCML
7	Ace Finance Co. Ltd. (B.S.)	194.000	12/1/2007	NCML
8	Paschimanchal Bikash Bank Ltd (BS)	28.000	9/7/2006	NCML
9	Nepal Development Bank Ltd. (B.S.)	160.000	30/10/2006	NCML
10	Bhrikuti Bikash Bank Ltd.	30.030	12/11/2007	NCML
11	Sanima Bikash Bank Ltd.	64.000	3/4/2008	NCML

12	Ace Development Bank Ltd.	96.000	5/4/2008	NCML
13	Himchuli Bikash Bank Ltd.	60.000	5/8/2008	NCML
14	Sahayogi Bikash Bank	10.000	5/26/2008	NCML
15	Chhimek Bikash Bank Ltd. (B.S.)	20.000	1/9/2006	NMB
16	Gandaki Bikash Bank Ltd.	50.000	7/7/2008	NMB
17	Annapurna Bikash Bank Ltd.	150.000	5/18/2008	NEFINSCO
18	Ace Finance Co. Ltd.	15.000	29/03/2000	NSML
19	Ace Finance Ltd.	45.000	2/1/2002	NSML
20	Nirdhan Uttan Bank Limited	39.520	26/09/2007	NCML
21	Nirdhan Udthan Bank Ltd.	15.000	28/03/2005	NMB
	Total	1574.050		
Finance Company				
1	Nepal Share Markets Co. Ltd.	20.000	13/05/1997	AFCL
2	Nepal Share Markets Co. Ltd.	30.000	25/05/1999	AFCL
3	Capital Merchant Banking & Finance Ltd.	161.000	12/11/2007	ACE
4	Prudential Bittiya Sanstha Ltd.	50.000	16/01/2008	ACE
5	Kist Merchant Banking and Finance	600.000	4/24/2008	ACE
6	Goodwill Finance Ltd.	50.000	5/4/2008	ACE
7	Royal Merchant Banking & Finance	60.140	5/12/2008	ACE
8	Nepal Housing & Merchant Finance	80.440	5/26/2008	ACE
9	Kathmandu Finance Limited	37.950	6/25/2008	ACE
10	Yeti Finance Ltd.	31.250	7/2/2008	ACE
11	NIDC Capital Markets Ltd.	40.000	18/03/2002	CIT
12	Nepal Share Markets & Finance Ltd.	60.000	6/1/2003	CIT

13	Nepal Share Markets & Finance Ltd. (B.S.)	40.000	10/5/2006	CIT
14	Capital Merchant Banking & Finance Ltd.	84.000	28/03/2007	CIT
15	Nepal Share Markets & Finance Ltd.	240.000	28/09/2007	CIT
16	Gorkha Finance Ltd.	30.000	6/22/2008	CIT
17	Peoples Finance Ltd.	20.000	5/5/2003	NCML
18	Annapurna Finance Company Ltd.	20.000	7/10/2004	NCML
19	National Finance Ltd. (Bittiya Samsthan)	43.200	2/6/2005	NCML
20	Goodwill Finance Co. Ltd.	25.000	3/1/2006	NCML
21	Central Finance Ltd. (Bittiya Sansthan)	12.000	2/2/2006	NCML
22	Pokhara Finance Ltd. (B.S.)	20.000	29/06/2006	NCML
23	Peoples Finance Ltd. (B.S.)	40.000	3/8/2006	NCML
24	Annapurna Finance Co. Ltd. (B.S.)	80.000	15/01/2007	NCML
25	Yeti Finance Ltd. (B.S.)	6.250	5/3/2007	NCML
26	Kist Merchant Banking & Finance Ltd.	100.000	4/5/2007	NCML
27	Central Finance Company Ltd.	24.000	3/8/2007	NCML
28	Premier Finance Company Ltd.	14.400	28/11/2007	NCML
29	United Finance Ltd.	75.000	5/8/2008	NCML
30	Nepal Express Finance Ltd.	30.000	5/12/2008	NCML
31	International Leasing and Finance Ltd.	504.000	5/18/2008	NCML
32	Standard Finance Ltd.	72.600	6/3/2008	NCML
33	Guheshwori Merchant Banking & Finance	37.010	5/6/2008	NCML
34	Fewa Finance Company Ltd.	30.000	26/12/2005	NMB
35	Om Finance Ltd.	30.000	26/12/2005	NMB

36	Kist Merchant Banking & Finance (B.S.)	50.000	11/5/2006	NMB
37	Alpic Everest Finance Ltd. (B.S.)	20.000	7/9/2006	NMB
38	IME Financial Institution Ltd.	50.000	31/10/2007	NMB
39	ICFC BittiyaSanstha	224.810	5/13/2008	NMB
40	Shree Investment Finance Ltd.	16.800	6/1/2008	NMB
41	Narayani Finance Ltd.	150.070	5/6/2008	NMB
42	Alpic Everest Finance Ltd.	20.000	21/08/2003	NEFINSCO
43	Siddhartha Finance Ltd.	20.000	14/11/2003	NEFINSCO
44	Janaki Finance Co. Ltd. (Bittiya Sansthan)	10.000	21/02/2006	NEFINSCO
45	Navadurga Finance Co. Ltd. (B.S.)	11.000	12/12/2006	NEFINSCO
46	Paschimanchal Finance Co. Ltd.	20.000	14/02/2000	NSML
47	Narayani Finance Ltd.	12.580	12/3/2001	NSML
48	Nepal Housing & Merchant Finance Ltd.	15.000	20/11/2001	NSML
49	Annapurna Finance Co. Ltd.	5.000	25/01/1998	NFCL
50	Mahalaxmi Finance Ltd.	25.000	12/2/2003	NFCL
51	Nepal Merchant Banking & Finance Ltd.	800.000	13/12/2007	NFL
52	Paschimanchal Finance Co. Ltd.	27.830	4/4/2008	NFL
53	Nepal Awas Bikash Bitta Company	70.490	6/24/2008	NFL
54	NB Finance & Leasing Co. Ltd.	30.000	10/5/2004	NSMBL
55	Nepal Finance & Saving Co. Ltd.	2.000	22/10/1995	
	Total	4378.820		
Insurance Company				
1	Himalyan General Insurance Co. Ltd.	30.000	3/4/1997	AFCL
2	Sagarmatha Insurance Company Ltd.	23.560	14/01/2008	ACE

3	Premier Insurance Co Ltd.	39.000	6/1/2008	ACE
4	Himalayan General Insurance	37.800	6/6/2008	ACE
5	Neco Insurance Company Ltd.	55.000	6/30/2008	CIT
	Total	185.360		
Hotels				
1	Taragaon Regency Hotels Ltd.	446.450	7/2/2006	NCML
	Total	446.450		
Manufacturing and Processing Company				
1	Bottlers Nepal Ltd.	225.200	3/4/1997	CIT
2	Seti Cigarette Factory Ltd.	67.000	2/7/1996	
	To	292.200		
Trading Company				
1	Nepal United Co. Ltd.	3.010	16/11/1997	NFCL
	Total	3.010		
Others				
3	Necon Air Ltd.	89.600	21/01/2000	CIT
35	National Hydro Power Company Ltd.	694.940	7/1/2008	NCML
	Total	784.540		

Yearwise Right Offering

S. N.	Name of Issuing Company	Amount of Issue Approve	Permission Date
Fiscal Year 1995/1996			
1	Nepal Finance & Saving Co. Ltd.	2	22/10/1995

2	Seti Cigarette Factory Ltd.	67	2/7/1996
	Total	69	
Fiscal Year 1996/1997			
1	Himalyan General Insurance Co. Ltd.	30	3/4/1997
2	Bottlers Nepal Ltd.	225.2	3/4/1997
3	Nepal Share Markets Co. Ltd.	20	13/05/1997
	Total	275.2	
Fiscal Year 1997/1998			
1	Nepal United Co. Ltd.	3.01	16/11/1997
2	Nepal Bank Ltd.	241.95	27/11/1997
3	Annapurna Finance Co. Ltd.	5	25/01/1998
	Total	249.96	
Fiscal Year 1998/1999			
1	Nepal Share Markets Co. Ltd.	30	25/05/1999
	Total	30	
Fiscal Year 1999/2000			
1	Necon Air Ltd.	89.6	21/01/2000
2	Paschimanchal Finance Co. Ltd.	20	14/02/2000
3	Ace Finance Co. Ltd.	15	29/03/2000
	Total	124.6	
Fiscal Year 2000/2001			
1	Narayani Finance Ltd.	12.58	12/3/2001
2	Everest Bank Ltd.	119.21	30/05/2001
3	Bank of Kathmandu Ltd.	234	13/07/2001
	Total	365.79	
Fiscal Year 2001/2002			
1	Nepal Housing & Merchant Finance Ltd.	15	20/11/2001
2	Ace Finance Ltd.	45	2/1/2002
3	Nepal SBI Bank Ltd.	287.87	15/01/2002
4	NIDC Capital Markets Ltd.	40	18/03/2002
	Total	387.87	
Fiscal Year 2002/2003			

1	Nepal Investment Bank Ltd.	57.24	19/08/2002
2	Nepal Share Markets & Finance Ltd.	60	6/1/2003
3	Mahalaxmi Finance Ltd.	25	12/2/2003
4	Peoples Finance Ltd.	20	5/5/2003
	Total	162.24	
Fiscal Year 2003/2004			
1	Alpic Everest Finance Ltd.	20	21/08/2003
2	Siddhartha Finance Ltd.	20	14/11/2003
3	NB Finance & Leasing Co. Ltd.	30	10/5/2004
4	NB Bank Ltd.	359.92	17/06/2004
	Total	429.92	
Fiscal Year 2004/2005			
1	Annapurna Finance Company Ltd.	20	7/10/2004
2	Nirdhan Udthan Bank Ltd.	15	28/03/2005
3	Nepal SBI Bank Ltd.	215.93	6/4/2005
4	Nepal Investment Bank Ltd.	295.29	2/5/2005
5	National Finance Ltd. (Bittiya Samsthan)	43.2	2/6/2005
6	Development Credit Bank Ltd.	80	14/07/2005
	Total	669.42	
Fiscal Year 2005/2006			
1	Kumari Bank Ltd.	125	23/11/2005
2	Nepal Development Bank	160	26/12/2005
3	Fewa Finance Company Ltd.	30	26/12/2005
4	Om Finance Ltd.	30	26/12/2005
5	Goodwill Finance Co. Ltd.	25	3/1/2006
6	Central Finance Ltd. (Bittiya Sansthan)	12	2/2/2006
7	Taragaon Regency Hotels Ltd.	446.45	7/2/2006
8	Janaki Finance Co. Ltd. (Bittiya Sansthan)	10	21/02/2006
9	Machhapuchhre Bank Ltd.	165	1/5/2006
10	Nepal Share Markets & Finance Ltd. (B.S.)	40	10/5/2006
11	Kist Merchant Banking & Finance (B.S.)	50	11/5/2006
12	Pokhara Finance Ltd. (B.S.)	20	29/06/2006

13	Paschimanchal Bikash Bank Ltd (BS)	28	9/7/2006
14	Lumbini Bank Limited	100	13/07/2006
	Total	1241.45	
Fiscal Year 2006/2007			
1	Peoples Finance Ltd. (B.S.)	40	3/8/2006
2	Chhimek Bikash Bank Ltd. (B.S.)	20	1/9/2006
3	Alpic Everest Finance Ltd. (B.S.)	20	7/9/2006
4	Nepal Development Bank Ltd. (B.S.)	160	30/10/2006
5	Navadurga Finance Co. Ltd. (B.S.)	11	12/12/2006
6	Ace Finance Co. Ltd. (B.S.)	194	12/1/2007
7	Annapurna Finance Co. Ltd. (B.S.)	80	15/01/2007
8	Yeti Finance Ltd. (B.S.)	6.25	5/3/2007
9	Capital Merchant Banking & Finance Ltd.	84	28/03/2007
10	Laxmi Bank Limited	122	4/4/2007
11	Business Development Bank Ltd.	30	18/04/2007
12	Kist Merchant Banking & Finance Ltd.	100	4/5/2007
13	Siddhartha Bank Ltd.	100	16/05/2007
14	Lumbini Bank Ltd.	150	29/05/2007
15	Nepal Credit & Commerce Bank Ltd.	700	6/6/2007
	Total	1817.25	
Fiscal Year 2007/2008			
1	Central Finance Company Ltd.	24	3/8/2007
2	Nirdhan Uttan Bank Limited	39.52	26/09/2007
3	Nepal Share Markets & Finance Ltd.	240	28/09/2007
4	IME Financial Institution Ltd.	50	31/10/2007
5	Paschimanchal Development Bank Ltd.	47.5	4/11/2007
6	Bhrikuti Bikash Bank Ltd.	30.03	12/11/2007
7	Capital Merchant Banking & Finance Ltd.	161	12/11/2007
8	Premier Finance Company Ltd.	14.4	28/11/2007
9	Development Credit Bank Ltd.	806.4	13/12/2007
10	Nepal Merchant Banking & Finance Ltd. .	800	13/12/2007

11	Nepal Investment Bank Ltd.	201.28	9/1/2008
12	Sagarmatha Insurance Company Ltd.	23.56	14/01/2008
13	Siddhartha Development Bank Ltd.	50	16/01/2008
14	Prudential Bittiya Sanstha Ltd.	50	16/01/2008
15	Siddhartha Bank Ltd.	138	6/2/2008
16	NIC Bank Ltd.	158.4	15/02/2008
17	Lumbini Bank Ltd.	250	10/3/2008
18	Kumari Bank Ltd.	180	24/03/2008
19	Laxmi Bank Ltd.	183	3/4/2008
20	Sanima Bikash Bank Ltd.	64	3/4/2008
21	Paschimanchal Finance Co. Ltd.	27.83	4/4/2008
22	Kist Merchant Banking and Finance	600	4/24/2008
23	Ace Development Bank Ltd.	96	5/4/2008
24	Goodwill Finance Ltd.	50	5/4/2008
25	Gorkha Development Bank	160	5/6/2008
26	Business Development Bank	150	5/8/2008
27	Himchuli Bikash Bank Ltd.	60	5/8/2008
28	United Finance Ltd.	75	5/8/2008
29	Nepal Express Finance Ltd.	30	5/12/2008
30	Royal Merchant Banking & Finance	60.14	5/12/2008
31	ICFC BittiyaSanstha	224.81	5/13/2008
32	International Leasing and Finance Ltd.	504	5/18/2008
33	Annapurna Bikash Bank Ltd.	150	5/18/2008
34	Nepal Housing & Merchant Finance	80.44	5/26/2008
35	Sahayogi Bikash Bank	10	5/26/2008
36	Shree Investment Finance Ltd.	16.8	6/1/2008
37	Premier Insurance Co Ltd.	39	6/1/2008
38	Standard Finance Ltd.	72.6	6/3/2008
39	Guheshwori Merchant Banking & Finance	37.01	5/6/2008
40	Narayani Finance Ltd.	150.07	5/6/2008
41	Himalayan General Insurance	37.8	6/6/2008
42	Gorkha Finance Ltd.	30	6/22/2008
43	Nepal Awas Bikash Bitta Company	70.49	6/24/2008
44	Kathmandu Finance Limited	37.95	6/25/2008

45	Neco Insurance Company Ltd.	55	6/30/2008
46	National Hydro Power Company Ltd.	694.94	7/1/2008
47	Machhapuchchhre Bank Ltd.	492.99	7/2/2008
48	Yeti Finance Ltd.	31.25	7/2/2008
49	Gandaki Bikash Bank Ltd.	50	7/7/2008
	Total	7605.21	

ANNEX -B

Information of Rights Announcement of the Related Companies

1. Kumari Bank Limited

Head Office

:Putalisadak, Kathamandu

Corporate Office

Putalisadak, Kathamandu

Right share Announcement Date : Nov. 24,
2005

Ex-right Date (Book Close Date) : Dec

22,2005

Right share Issue Date : Dec 29, 2005

No of shares issued : 1200000

Total share in Amount : Rs. 120000000

Face Value : Rs. 100

Ratio : 4:1

Issue Manager : NIDC Capital Markets Ltd. (Bittiya Sanstha)

Kamalpokhari, Kathmandu

Before Announcement Date		Before Ex-right Date		After Ex-right Date		After Issue Date	
Date	Share Price	Date	Share price	Date	Share Price	Date	Share Price
Nov08,2005	382(306.15)	Nov28,2005	385(301.67)	Dec25,2005	330(300.49)	Dec29,2005	No Transaction
Nov10,2005	375(307.98)	Dec 5, 2005	378(301.97)	Dec27,2005	330(301.09)	Jan 2,2006	330(304.16)
Nov13,2005	384(306.15)	Dec 6,2005	300(298.00)	Dec28,2005	330(301.60)	Jan 3,2006	330(305.42)
Nov14,2005	385(305.05)	Dec 8,2005	315(299.10)			Jan 4 2006	333(305.85)
Nov15,2005	382(302.39)	Dec11,2005	326(299.84)			Jan 15,2006	337(305.66)

Nov16,2005	380(300.58)	Dec14,2005	330(302.24)			Jan 16,2006	335(305.85)
Nov21,2005	371(302.02)	Dec15,2005	341(303.12)				
Nov24,2005	372(301.20)	Dec18,2005	345(303.98)				
		Dec19,2005	No transaction				
		Dec20,2005	345(306.59)				
		Dec21,2005	340(308.13)				

2. Lumbini Bank Limited

Head Office : Narayangad, Chitwan
 Corporate Office : DarbarMarg, Kathmandu
 Right share Announcement Date : July 16, 2006
 Ex-right Date (Book Close Date) : July24, 2006
 Right share Issue Date : Aug. 13, 2006
 No of shares issued : 9000000
 Total share in Amount : Rs. 900000000
 Face Value : Rs. 100
 Ratio : 5:1
 Issue Manager : NIDC Capital Markets Ltd. (Bittiya Sanstha)
 Kamalpokhari, Kathmandu

Before Announcement Date		Before Ex-right Date		After Ex-right Date		After Issue Date	
Date	Share Price	Date	Share price	Date	Share Price	Date	Share Price
July 2,2006	173(376.77)	July 17,2006	181(388.16)	July 25,2006	173(397.35)	Aug. 17,2006	165(387.94)
July 5,2006	172(382.04)	July 18,2006	186(389.74)	July 26,2006	173(394.86)	Aug. 22,2006	158(380.83)
July 9,2006	173(384.60)	July 19,2006	185(393.68)	Aug.1,2006	173(366.73)	Aug. 24,2006	158(379.91)
July 10,2006	170(385.31)	July 20,2006	181(395.89)	Aug.6,2006	173(363.56)	Aug. 27,2006	158(378.81)
July 12,2006	172(386.63)	July 23,2006	173(397.95)	Aug. 8,2006	173(390.86)	Aug. 29,2006	165(379.27)
July 16,2006	No Transaction	July 24,2006	No Transaction				

3. Machhhapuchchhre Bank Limited

Head Office :Naya Bazar, Pokhara
 Corporate Office :Putalisadak, Kathamandu
 Right share Announcement Date : May 7, 2006
 Ex-right Date (Book Close Date) : May 14, 2006
 Right share Issue Date : May 25, 2006
 No of shares issued : 1650000
 Total share in Amount : Rs. 165000000
 Face Value : Rs. 100
 Ratio : 10:3

Issue Manager

: NMB Bank Limited
Babarmahal, Kathmandu

Before Announcement Date		Before Ex-right Date		After Ex-right Date		After Issue Date	
Date	Share Price	Date	Share price	Date	Share Price	Date	Share Price
Apr17,2006	321(331.88)	May 8,2006	390(370.95)	May 15,2006	306(388.49)	May25,2006	328(368.89)
Apr26,2006	342(343.28)	May 9,2006	395(375.15)	May 16,2006	365(387.86)	May30,2006	338(372.64)
Apr30,2006	359(361.58)	May10,2006	411(377.49)	May 17,2006	345(384.58)	May31,2006	345(371.74)
May1,2006	400(374.87)	May11,2006	415(381.70)	May 18,2006	348(384.11)	June5,2006	340(371.47)
May2,2006	365(372.45)			May 21,2006	349(382.65)	June7,2006	335(369.62)
May4, 2006	385(366.94)			May 22,2006	342(387.23)		
May7,2006	400(368.68)	May14,2006	No Transaction	May 23,2006	340(372.48)		
				May 24, 2006	340(370.89)		

4. Nepal Investment Bank Limited

Head Office: :DarbargMarg, Kathmandu
 Corporate Office :DarbargMarg, Kathmandu
 Right share Announcement Date : Apr.21,2005
 Ex-right Date (Book Close Date) : May 3, 2005
 Right share Issue Date : May 13, 2005
 No of shares issued : 2952930
 Total share in Amount : Rs. 295293000
 Face Value : Rs. 100
 Ratio : 1:1
 Issue Manager : Ace Finance Company Ltd.
 Naxal, Kathmandu

Before Announcement Date		Before Ex-right Date		After Ex-right Date		After Issue Date	
Date	Share Price	Date	Share price	Date	Share Price	Date	Share Price
Apr.7, 2005	1316(289.56)	Apr.24,2005	1332(294.03)	May 4,2005	790(298.78)	May 15,2005	860(285.52)
Apr.11,2005	1335(290.65)	Apr.25,2005	1350(294.98)	May 9,2005	801(288.89)	May 16,2005	815(284.52)
Apr.13,2005	1340(293.65)	Apr.26,2005	1360(294.44)	May 10,2005	830(288.79)	May 17,2005	811(283.12)
Apr.18,2005	1335(293.71)	Apr.27,2005	1386(295.33)	May 12,2005	880(288.34)	May 18,2005	815(281.39)
Apr.19,2005	1325(293.71)	Apr.28,2005	1400(294.20)	May 12,2005	865(285.42)	May 19,2005	810(280.39)
Apr.20,2005	1326(292.59)	May 1,2005	1401(294.79)			May 22,2005	813(279.73)
Apr.21,2005	1331(293.58)	May 2,2005	1430(296.11)				

		May 3,2005	No Transaction				
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5. Development Credit Bank Limited

Head Office : Kathmandu Plaza, Kathmandu.
 Right share Announcement Date : July 31, 2005
 Ex-right Date (Book Close Date) : Aug. 7, 2005
 Right share Issue Date : Aug.24, 2005
 No of shares issued : 800000
 Total share in Amount : Rs. 80000000
 Face Value : Rs. 100
 Ratio : 2:1
 Issue Manager : NMB Bank Limited
 Babarmahal, Kathmandu

Before Announcement Date		Before Ex-right Date		After Ex-right Date		After Issue Date	
Date	Share Price	Date	Share price	Date	Share Price	Date	Share Price
July 11,2005	300(285.04)	Aug. 1,2005	345(299.16)	Aug. 8,2005	260(300.55)	Aug. 24,2005	260(292.08)
July 17,2005	315(287.90)	Aug. 2,2005	350(300.88)	Aug. 11,2005	260(300.80)	Aug. 28,2005	260(293.85)
July 19,2005	331(289.93)	Aug. 3,2005	345(305.20)	Aug. 14,2005	260(300.94)	Aug. 30,2005	260(291.61)
July 20,2005	340(290.88)	Aug. 4,2005	340(305.87)	Aug. 16,2005	260(300.05)	Sept. 5,2005	262(296.76)
July 24,2005	345(291.97)	Aug. 5,2005	340(305.87)	Aug. 21,2005	260(295.45)	Sept. 8,2005	262(296.22)
July 25,2005	340(292.47)			Aug. 23,2005	260(289.57)		
July 28,2005	339(295.89)						
July 31,2005	338(296.78)	Aug. 7,2005	No Transaction				

6. National Finance Ltd.(Bittiya Sanstha)

Head Office : Paku New Road, Kathmandu.
 Right share Announcement Date : Nov.16,2004
 Ex-right Date (Book Close Date) : Nov. 27,2004
 Right share Issue Date : June 15,2005
 No of shares issued : 432000
 Total share in Amount : Rs. 43200000
 Face Value : Rs. 100

Ratio : 1:1
Issue Manager : NIDC Capital Markets Ltd.
Kamalpokhari, Kathmandu

Before Announcement Date		Before Ex-right Date		After Ex-right Date		After Issue Date	
Date	Share Price	Date	Share price	Date	Share Price	Date	Share Price
Sept.14,2004	350(229.99)			Nov30,2004	370(238.92)	June29,2005	309(281.54)
Sept.23,2004	350(234.12)			Apr18,2005	370(293.71)	July11,2005	295(285.04)
Oct.4,2004	350(234.89)	Nov.23,2004	367(240.40)	Apr20,2005	355(292.59)	July18,2005	309(288.03)
Oct.8,2004	350(233.81)	Nov.25,2004	370(241.57)	Apr24,2005	345(294.03)	July20,2005	296(290.88)
Nov.16,2004	350(235.37)	Nov.26,2004	370(241.65)	June 6,2005	342(281.40)	July24,2005	282(291.97)
		Nov.27,2004	No Transaction	June14,2005	325(277.79)	July26,2005	268(294.30)

7. Pokhara Finance Ltd.(Bittiya Sanstha)

Head Office : GairhaPatal, Pokhara.
Right share Announcement Date : May 2,2006
Ex-right Date (Book Close Date : July 1,2006
Right share Issue Date : July 20,2006
No of shares issued : 200000
Total share in Amount : Rs. 20000000
Face Value : Rs. 100
Ratio : 2:1
Issue Manager : NMB Bank Limited
Babarmahal, Kathmandu

Before Announcement Date		Before Ex-right Date		After Ex-right Date		After Issue Date	
Date	Share Price	Date	Share price	Date	Share Price	Date	Share Price
Mar.22,2006	341(338.86)	May10,2006	410(377.47)	Aug. 7,2006	400(383.14)		
Mar.26,2006	358(337.86)	May14,2006	410(385.89)	Aug. 8,2006	400(390.86)		
Mar. 27,2006	375(337.45)	May17,2006	410(384.58)	Aug.20,2006	400(389.23)		
Mar. 28,2006	400(337.57)	June 6,2006	410(370.79)	Aug.	400(379.93)		

				24,2006			
May 2,2006	410(372.45)	June 13,2006	410(370.79)	Aug. 31,2006	400(382.24)		
		June 29,2006	410(375.14)				

8. Kist Merchant Banking & Finance Ltd. (Bittaya Sanstha)

Head Office : KamalPokhari, Kathmandu.
Right share Announcement Date : Mar.28,2006
Ex-right Date (Book Close Date) : May 16,2006
Right share Issue Date : May 30,2006
No of shares issued : 500000
Total share in Amount : Rs. 50000000
Face Value : Rs. 100
Ratio : 1:1
Issue Manager : NMB Bank Limited
Babarmahal, Kathmandu

Before Announcement Date		Before Ex-right Date		After Ex-right Date		After Issue Date	
Date	Share Price	Date	Share price	Date	Share Price	Date	Share Price
Mar.12,2006	153(337.32)	Apr.2,2006	153(336.71)	Sept.12,2006	162(383.60)		
Mar.21,2006	152(338.86)	Apr.4,2006	153(334.15)	Sept.13,2006	165(383.71)		
Mar.23,2006	153(338.70)	Apr.5,2006	153(334.77)	Sept.14,2006	170(382.56)		
Mar.26,2006	153(337.99)	Apr.16,2006	153(334.27)	Sept.19,2006	173(393.02)		
Mar.28,2006	153(337.57)	May 15,2006	153(388.49)	Oct. 9, 2006	176(399.10)		
				Oct.11,2006	173(397.98)		
				Oct.16,2006	165(398.20)		

ANNEX-C

Let the share price between and after ex-rights to be denoted by X and Y respectively.

Null Hypothesis: Ho: $\bar{x} \sim \bar{y}$ (Two tailed test) that is, the mean share price before and after ex-right different significantly.

Alternative Hypothesis: H1: $\bar{x} \neq \bar{y}$ That is there is a significant difference in the share price between and after ex-rights.

Kumari Bank Ltd.

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	D=X-Y	d ²
378	330	48	2304
300	330	-30	900
315	330	-15	225
326	330	-4	16
330	333	-3	9
345	337	8	64
340	335	5	25
X=2334 x=333.42	Y=2325 y=332.14	$\phi=9$	$\phi d^2=3543$

Where

d=X-Y=difference between two set of observation

$\bar{d} = \frac{\sum d}{n}$ =mean of the different

Variable Defined

X= Share price before ex-rights date.

Y= Share price after ex-rights date.

$$\bar{d} = \frac{\sum d}{n} = \frac{9}{7} = 1.2857$$

$$s^2 = \frac{1}{n-1} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7} \sum_{i=1}^7 (Z_i - \bar{Z})^2$$

$$s^2 = \frac{1}{6} \times 3531.42$$

$$s^2 = 588.57$$

... test statistics is

$$t = \frac{\bar{d}}{\frac{s^2}{n}} = \frac{1.2857}{\frac{588.57}{7}} = \frac{1.2857}{84.0814} = 0.0153$$

Degree of freedom = n-1=7-1=6

The tabulated value of t for 6d.f at 5% level of significance for two tailed test is 2.447

t(0.05) = 2.447

Decision: Calculated Value of t is less than the tabulated value of t is not significant.

Lumbani Bank Limited

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	d ²
170	173	-3	9
172	173	-1	1
181	173	8	64
186	173	13	169
185	173	12	144
181	165	16	256
173	158	15	225
X=1248 x=178.28	Y=1188 y=169.71	∑d=60	∑d ² =868

Variable Defined

X= Share price before ex-rights date.

Y= Share price after ex-rights

$$\bar{d} = \frac{d}{n} = \frac{60}{7} = 8.57$$

$$s^2 = \frac{1}{n-1} \sum (d_i - \bar{d})^2 = \frac{1}{6} \sum (d_i - 8.57)^2$$

$$s^2 = \frac{1}{6} \times 353.71$$

$$s^2 = 58.9523$$

... test statistics is

$$t = \frac{\bar{d} - \mu_0}{\frac{s}{\sqrt{n}}} = \frac{8.57 - 0}{\frac{\sqrt{58.9523}}{\sqrt{7}}}$$

$$t_{cal} = 2.9531$$

The tab at 5% level of significance for 6 d f. is = 2.447

$$t(0.05) = 2.447$$

... Decision: $t_{cal} > t_{tab}$, Significant

Machhhapuchhre Bank Limited

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	d ²
365	306	59	3481
385	365	20	400
400	345	55	3025
390	348	42	1764
395	349	46	2116
411	342	69	4761
415	340	75	5625
X=2761 x=394.42	Y=2395 y=342.14	∑d=366	∑d ² =21172

Variable Defined

X= Share price before ex-rights date.

Y= Share price after ex-rights date.

$$\bar{d} = \frac{\sum d}{n} = \frac{366}{7} = 52.28$$

$$s^2 = \frac{1}{n-1} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7-1} \sum d^2 - \frac{(366)^2}{7}$$

$$s^2 = \frac{1}{6} | 2035.42$$

$$s^2 = 339.23$$

... test statistics is

$$t = \frac{\bar{d}}{\frac{s^2}{n}} \times \frac{52.28}{\sqrt{\frac{(339.23)}{7}}}$$

*t*cal. X7.5099

The tab at 5% level of significance for 6 d f. is = 2.447

t (0.05) = 2.447

..Decision: t cal>t tab, Significant

Nepal Investment Bank Limited

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
1332	790	542	293764
1350	801	549	301401
1360	830	530	280900
1386	880	506	256036
1400	865	535	286225
1401	860	541	292681
1430	815	615	378225
X=9659 x=1379.85	Y=5841 y=834.42	∑d=3818	∑d ² =2089232

Variable Defined

X= Share price before ex-rights date.

Y= Share price after ex-rights

$$\bar{d} = \frac{\sum d}{n} = \frac{3818}{7} = 545.42$$

$$s^2 = \frac{1}{n-1} \sum (Z_i - \bar{Z})^2$$

$$s^2 = \frac{1}{7} \sum Z_i^2 - \frac{(\sum Z_i)^2}{7}$$

$$s^2 = \frac{1}{7} (8785.71)$$

$$s^2 = 1130.95$$

... test statistics is

$$t = \frac{\bar{d} - \mu_0}{\frac{s^2}{n}} = \frac{545.42}{\sqrt{\frac{1130.95}{7}}}$$

$$t_{cal} = 39.7269$$

The tab at 5% level of significance for 6 d.f. is = 2.447

$$t(0.05) = 2.447$$

... Decision: $t_{cal} > t_{tab}$, Significant

Development Credit Bank Limited

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	d ²
339	260	79	6241
338	260	78	6084
345	260	85	7225
350	260	90	8100
345	260	85	7225
340	260	80	6400
340	262	78	6084
X=2397 x=342.42	Y=1822 Y=260.28	∑d=575	∑d ² =47359

Variable Defined

X= Share price before ex-rights date.

Y= Share price after ex-rights

$$\bar{d} = \frac{\sum d}{n} = \frac{575}{7} = 82.14$$

$$s^2 = \frac{1}{n-1} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7-1} \sum d^2 - \frac{(575)^2}{7}$$

$$s^2 = \frac{1}{6} | 126.85$$

$$s^2 = 21.1428$$

... test statistics is

$$t = \frac{\bar{d}}{n} \times \frac{82.14}{\sqrt{\frac{21.1428}{7}}}$$

$$t_{cal.} = 47.2631$$

The tab at 5% level of significance for 6 d f. is = 2.447

$$t(0.05) = 2.447$$

..Decision: $t_{cal} > t_{tab}$, Significant

National Finance Ltd.(Bittiya Sanstha)

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	d ²
350	370	-20	400
350	370	-20	400
350	355	-5	25
350	345	5	25
367	342	25	625
370	325	45	2025
370	309	61	3721
X=2507 x=358.14	Y=2416 y=345.14	∑d=91	∑d ² =7221

Variable Defined

X= Share price before ex-rights date.

Y= Share price after ex-rights

$$\bar{d} = \frac{\sum d}{n} = \frac{91}{7} = 13$$

$$s^2 = \frac{1}{n-1} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7-1} \sum d^2 - \frac{(91)^2}{7}$$

$$s^2 = \frac{1}{6} | 6038$$

$$s^2 = 1006.33$$

... test statistics is

$$t = \frac{\bar{d}}{s^2} \times \frac{13}{\sqrt{\frac{1006.33}{7}}}$$

*t*cal. X1.0842

The tab at 5% level of significance for 6 d f. is = 2.447

$t(0.05) = 2.447$

..Decision: $t_{cal} < t_{tab}$, Not Significant

Pokhara Finance Ltd.(Bittiya Sanstha)

t-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
375	400	-45.6	2080
400	400	-46.1	2129
410	400	-45.9	2102
410	400	-58.9	3466
410	400	-64.3	3466
410	400	-63.7	4138
410	400	--9.71	4059
X=2825 x=403.57	Y=2800 y=400	φd=-334	φd ² =180694.289

Variable Defined

X= Share price before ex-rights date

Y= Share price after ex-rights

$$\bar{d} = \frac{\sum d}{n} = \frac{25}{7} = 3.5714$$

$$s^2 = \frac{1}{n-1} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7-1} \sum d^2 - \frac{(25)^2}{7}$$

$$s^2 = \frac{1}{6} | 1035.71$$

$$s^2 = 172.61$$

... test statistics is

$$t = \frac{\bar{d}}{\frac{s^2}{n}} \times \frac{13}{\sqrt{\frac{3.5714}{7}}}$$

$$t_{cal.} = 1.07192$$

The tab at 5% level of significance for 6 d f. is = 2.447

$$t(0.05) = 2.447$$

.. Decision: $t_{cal} < t_{tab}$, Not Significant

Kist Merchant Banking & Finance Ltd. (Bittaya Sanstha)

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
153	162	-9	81
152	165	-13	169
153	170	-17	289
153	173	-20	400
153	176	-23	529
153	173	-20	400
153	165	-12	144
X=1070 x=152.87	Y=1184 y=169.14	$\phi d = -114$	$\phi d^2 = 2012$

Variable Defined

X= Share price before ex-rights date.

Y= Share price after ex-rights

$$\bar{d} = \frac{1}{n} \sum_{i=1}^n d_i = \frac{334}{7} = 47.71$$

$$s^2 = \frac{1}{n-1} \sum_{i=1}^n d_i^2 - \frac{(\sum_{i=1}^n d_i)^2}{n}$$

$$s^2 = \frac{1}{7-1} \sum_{i=1}^n d_i^2 - \frac{(334)^2}{7}$$

$$s^2 = \frac{1}{6} | 2132.42$$

$$s^2 = 355.40$$

... test statistics is

$$t = \frac{\bar{d} - \mu_0}{\frac{s}{\sqrt{n}}} = \frac{47.71 - 0}{\sqrt{\frac{355.40}{7}}}$$

$$t_{cal} = 6.6957$$

The tab at 5% level of significance for 6 d f. is = 2.447

$$t(0.05) = 2.447$$

... Decision: $t_{cal} > t_{tab}$, Significant

Kumari Bank Ltd.

T-test for Price Indices between before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
301.97	300.49	1.48	2.19
298.00	301.09	-3.09	9.548
299.10	301.60	-2.5	6.25
299.84	305.42	-5.58	31.14
302.24	305.85	-3.61	13.03
303.98	305.66	-1.68	2.822
306.59	305.85	0.74	0.548
X=2111.7 x=301.67		φd=-14.24	φd ² -65.53

Variable Defined

X= Price indices before ex-rights date.

Y= Price indices after ex-rights date

$$\bar{d} = \frac{\sum d}{n} = \frac{14.24}{7} = 2.03$$

$$s^2 = \frac{1}{n} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7} \sum d^2 - \frac{(14.24)^2}{7}$$

$$s^2 = \frac{1}{6} | 36.56 \quad s^2 = 6.093$$

... test statistics is

$$T = \frac{\bar{d}}{\frac{s^2}{n}} = \frac{2.034}{\sqrt{\frac{6.093}{7}}} = 2.1801$$

$|t_{cal}| > 2.1801$
 $T_{tab} = 2.447$
 Not significant

Lumbini Bank Limited

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
385.31	397.35	-12	145
386.63	394.86	-8.23	67.73
388.16	366.73	21.43	459.2
389.74	363.56	26.18	685.4
393.68	390.86	2.82	7.952
395.89	387.94	7.95	63.2
397.95	380.83	17.12	293.1
		$\phi d=55.23$	$\phi d^2=1722$

Variable Defined

X= Price indices before ex-rights date.

Y= Price indices after ex-rights date

$$\bar{d} = \frac{\sum d}{n} = \frac{55.23}{7} = 7.89$$

$$s^2 = \frac{1}{n-1} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7-1} \sum d^2 - \frac{(55.23)^2}{7}$$

$$s^2 = \frac{1}{6} | 1286.23$$

$$s^2 = 214.37$$

... test statistics is

$$T = \frac{\bar{d}}{\frac{s^2}{n}} \times \frac{Z7.89}{\sqrt{\frac{214.37}{7}}} \times Z1.4257$$

$$|t_{cal}| \times 1.4257$$

$$T_{tab} = 2.447$$

Not significant

Machhhapuchchhre Bank Limited

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
372.45	388.49	-16	257.3
366.94	387.86	-20.9	437.6
368.68	384.58	-15.9	252.8
370.95	384.11	-13.2	173.2
375.15	382.65	-7.5	56.25
377.49	387.23	-9.74	94.87
381.70	372.48	9.22	85.01
		$\phi d = -74$	$\phi d^2 = 1357$

Variable Defined

X= Price indices before ex-rights date.

Y= Price indices after ex-rights date

$$\bar{d} \times \frac{d}{n} \times \frac{Z74}{7} \times Z10.5714$$

$$s^2 \times \frac{1}{n} \times \frac{d^2 \times Z(\phi d)^2}{n}$$

$$s^2 \times \frac{1}{7} \times \frac{13.57 \times Z(74)^2}{7}$$

$$s^2 \times \frac{1}{6} | 574.7142$$

$$s^2 = 95.7857$$

... test statistics is

$$t \times \frac{\bar{d}}{\frac{s^2}{n}}$$

$$\times \frac{Z10.5714}{\sqrt{\frac{95.7857}{7}}} \times Z2.8584$$

$$|t_{cal}| \times 2.8584$$

$$T_{tab} = 2.447$$

Significant

Nepal Investment Bank Limited

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
294.03	298.78	-4.75	22.56
294.98	288.89	6.09	37.09
294.44	288.79	5.65	31.92
295.33	288.34	6.99	48.86
294.20	285.42	8.78	77.09
294.79	285.52	9.27	85.93
296.11	284.52	11.59	134.3
		∑d=43.62	∑d ² =437.8

Variable Defined

X= Price indices before ex-rights date.

Y= Price indices after ex-rights date

$$\bar{d} = \frac{1}{n} \sum_{i=1}^n d_i = \frac{43.62}{7} = 6.2314$$

$$s^2 = \frac{1}{n-1} \sum_{i=1}^n d_i^2 - \frac{(\sum_{i=1}^n d_i)^2}{n}$$

$$s^2 = \frac{1}{7-1} \left(437.8 - \frac{(43.62)^2}{7} \right)$$

$$s^2 = \frac{1}{6} \times 165.9850$$

$$s^2 = 27.664$$

... test statistics is

$$T = \frac{\bar{d}}{s} \times \frac{1}{\sqrt{\frac{1}{n}}} = \frac{6.3414}{\sqrt{\frac{27.664}{7}}} = 3.1345$$

$$|t_{cal}| = 3.1345$$

$$T_{tab} = 2.447$$

Not significant

Development Credit Bank Limited

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
295.89	300.55	-4.66	21.72
296.78	300.80	-4.02	16.16
299.16	300.94	-1.78	3.168
300.88	300.05	0.83	0.689
305.20	295.45	9.75	95.06
305.87	289.57	16.3	265.7
305.87	296.22	9.65	93.12
		$\phi d = 26.07$	$\phi d^2 = 495.6$

Variable Defined

X= Price indices before ex-rights date.

Y= Price indices after ex-rights date

$$\bar{d} = \frac{1}{n} \sum d = \frac{26.07}{7} = 3.7242$$

$$s^2 = \frac{1}{n-1} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7-1} \sum d^2 - \frac{(26.07)^2}{7}$$

$$s^2 = \frac{1}{6} \sum d^2 - 398.50$$

$$s^2 = 66.42$$

... test statistics is

$$T = \frac{\bar{d}}{\frac{s^2}{n}} = \frac{3.7242}{\sqrt{\frac{66.42}{7}}} = 1.2090$$

$$|t_{cal}| = 1.2090$$

$$T_{tab} = 2.447$$

Not significant

National Finance Ltd. (Bittiya Sanstha)

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
234.12	238.92	-4.8	23.04
234.89	293.71	-58.82	3459.792
233.81	292.59	-58.78	3455.088

235.37	294.03	-58.66	3440.996
240.40	281.40	-41	1681
241.57	277.79	-36.22	1311.888
241.65	281.54	-39.89	1591.212
		$\phi D = -298.17$	$\phi d^2 = 14963.02$

Variable Defined

X= Price indices before ex-rights date.

Y= Price indices after ex-rights date

$$\bar{d} = \frac{1}{n} \sum_{i=1}^n d_i = \frac{298.17}{7} = 42.59$$

$$s^2 = \frac{1}{n} \sum_{i=1}^n d_i^2 - \frac{(\sum_{i=1}^n d_i)^2}{n}$$

$$s^2 = \frac{1}{7} \sum_{i=1}^n d_i^2 - \frac{(298.17)^2}{7}$$

$$s^2 = \frac{1}{6} | 2262.25$$

$$s^2 = 377.04$$

... test statistics is

$$T = \frac{\bar{d}}{\frac{s^2}{n}} = \frac{42.59}{\sqrt{\frac{377.04}{7}}} = 5.8031$$

$$|t_{cal}| = 5.8031$$

$$T_{tab} = 2.447$$

Significant

Pokhara Finance Ltd. (Bittiya Sanstha)

T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
337.45	383.14	-45.7	2088
337.57	390.86	-53.3	2840
377.47	389.23	-11.8	138.3
385.89	379.93	5.96	35.52
384.58	382.24	2.34	5.476
370.79	382.24	-11.5	131.1
375.14	382.24	-7.1	50.41
		∑D=-121	∑d ² =5288

Variable Defined

X= Price indices before ex-rights date.

Y= Price indices after ex-rights date

$$\bar{d} = \frac{\sum d}{n} = \frac{-121}{7} = -17.28$$

$$s^2 = \frac{1}{n} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7} \sum d^2 - \frac{(-121)^2}{7}$$

$$s^2 = \frac{1}{7} \times 5288 - \frac{14641}{7}$$

$$s^2 = 532.73$$

... test statistics is

$$T = \frac{\bar{d}}{\frac{s^2}{n}} \times \frac{Z_{17.28}}{\sqrt{532.72}} = -1.9808$$

$|t_{cal}| > 1.9808$
 $T_{tab} = 2.447$
 Not Significant

Kist Merchant Banking & Finance Ltd. (Bittaya Sanstha)
 T-test between share prices before Ex-rights Date and after Ex-rights Date

X	Y	d=X-Y	D ²
337.99	383.60	-45.6	2080
337.57	383.71	-46.1	2129
336.71	382.56	-45.9	2102
334.15	393.02	-58.9	3466
334.77	399.10	-64.3	4138
334.27	397.98	-63.7	4059
388.49	398.20	-9.71	94.28
		$\phi D = -121$	$\phi d^2 = 5288$

Variable Defined

X= Price indices before ex-rights date.

Y= Price indices after ex-rights date

$$\bar{d} = \frac{\sum d}{n} = \frac{-334}{7} = -47.71$$

$$s^2 = \frac{1}{n-1} \sum d^2 - \frac{(\sum d)^2}{n}$$

$$s^2 = \frac{1}{7-1} \sum d^2 - \frac{(-334)^2}{7}$$

$$s^2 = \frac{1}{6} | 2132.42$$

$$s^2 = 355.40$$

... test statistics is

$$T = \frac{\bar{d}}{\frac{s^2}{n}} \times \frac{Z_{47.71}}{\sqrt{\frac{355.40}{7}}} \times Z_{6.6957}$$

$$|t_{cal}| \times Z_{6.6957}$$

$$T_{tab} = 2.447$$

Significant

ANNEX-D

Calculation of Rights-on Value of a Right and Ex- right Value of Right of Sample Companies

Rights-on value of a right

Value of one right = Market value of stock, rights-on – Subscription price/Number of rights required to purchase one share+1

$$V_r = \frac{P_o - P_s}{\# \Gamma_1}$$

Where,

P₀ = rights on price of the stock.

P_s = subscription price

= number of rights required to purchase a new share of stock

V_r = value of one right / formula value /theoretical value of one right.

Ex-right value of right

$$V_r = \frac{P_e - P_s}{\#}$$

Where,

P_e = ex-rights price of the stock.

P_s = subscription price.

= number of rights required to purchase a new share of stock.

V_r = value of one right or formula value or theoretical value of one right

1. Kumari Bank Limited

Rights-on value of a right

$$P_0 = 340$$

$$P_s = 100$$

$$\# = 4$$

$$\begin{aligned} V_r &= \frac{P_0 - P_s}{\#} \\ &= \frac{340 - 100}{4} \\ &= \text{Rs. } 48 \end{aligned}$$

$$\text{Market price of stock after rights issue (Pe)} = P_0 - V_r$$

$$= \text{Rs. } 340 - \text{Rs. } 48$$

$$= \text{Rs. } 292$$

Ex-right value of right

$$P_e = 292$$

$$P_s = 100$$

$$\# = 4$$

$$\begin{aligned} V_r &= \frac{P_e - P_s}{\#} \\ &= \frac{292 - 100}{4} \\ &= 48 \end{aligned}$$

2. Lumbini Bank Limited

Rights-on value of a right

$$P_0 = 173$$

$$P_s = 100$$

$$\# = 5$$

$$\begin{aligned} V_r &= \frac{P_0 - P_s}{\#} \\ &= \frac{173 - 100}{5} \\ &= \text{Rs. } 14.6 \end{aligned}$$

$$= \text{Rs.}12.16$$

$$\begin{aligned} \text{Market price of stock after rights issue (Pe)} &= P_o - V_r \\ &= \text{Rs.}173 - \text{Rs.}12.16 \\ &= \text{Rs.}160.83 \end{aligned}$$

3. Machhhapuchchhre Bank Limited

Rights-on value of a right

$$P_0 = 415$$

$$P_s = 100$$

$$\# = 10$$

$$\begin{aligned} V_r &= \frac{P_o - P_s}{\# \Gamma 1} \\ &= \frac{415 - 100}{10 \Gamma 1} \\ &= \text{Rs.}28.63 \end{aligned}$$

$$\begin{aligned} \text{Market price of stock after rights issue (Pe)} &= P_o - V_r \\ &= \text{Rs.}415 - \text{Rs.}28.63 \\ &= \text{Rs.}386.37 \end{aligned}$$

4. Nepal Investment Bank Limited

Rights-on value of a right

$$P_0 = 1430$$

$$P_s = 100$$

$$\# = 1$$

$$\begin{aligned} V_r &= \frac{P_o - P_s}{\# \Gamma 1} \\ &= \frac{1430 - 100}{1 \Gamma 1} \\ &= \text{Rs.}665 \end{aligned}$$

$$\begin{aligned} \text{Market price of stock after rights issue (Pe)} &= P_o - V_r \\ &= \text{Rs.}1430 - \text{Rs.}665 \end{aligned}$$

$$= \text{Rs.}765$$

5. Development Credit Bank Limited

Rights-on value of a right

$$P_0 = 340$$

$$P_s = 100$$

$$\# = 2$$

$$\begin{aligned} V_r &= \frac{P_0 - P_s}{\# \Gamma 1} \\ &= \frac{340 - 100}{2 \Gamma 1} \\ &= \text{Rs.}80 \end{aligned}$$

$$\begin{aligned} \text{Market price of stock after rights issue (Pe)} &= P_0 - V_r \\ &= \text{Rs.}340 - \text{Rs.}80 \\ &= \text{Rs.}260 \end{aligned}$$

6. National Finance Ltd.(Bittiya Sanstha)

Rights-on value of a right

$$P_0 = 370$$

$$P_s = 100$$

$$\# = 1$$

$$\begin{aligned} V_r &= \frac{P_0 - P_s}{\# \Gamma 1} \\ &= \frac{370 - 100}{1 \Gamma 1} \\ &= \text{Rs.}135 \end{aligned}$$

$$\begin{aligned} \text{Market price of stock after rights issue (Pe)} &= P_0 - V_r \\ &= \text{Rs.}370 - \text{Rs.}135 \\ &= \text{Rs.}235 \end{aligned}$$

7. Pokhara Finance Ltd.(Bittiya Sanstha)

Rights-on value of a right

$$P_0 = 410$$

$$P_s = 100$$

$$\# = 2$$

$$\begin{aligned} V_r &= \frac{P_0 - P_s}{\# \Gamma 1} \\ &= \frac{410 - 100}{2 \times 1} \\ &= \text{Rs}103.33 \end{aligned}$$

$$\begin{aligned} \text{Market price of stock after rights issue (Pe)} &= P_0 - V_r \\ &= \text{Rs.}410 - \text{Rs.}103.33 \\ &= \text{Rs.}306.67 \end{aligned}$$

8. KIST MERCHANT BANKING & FINANCE LTD.(BITTIYA SANSTHA)

Rights-on value of a right

$$P_0 = 153$$

$$P_s = 100$$

$$\# = 1$$

$$\begin{aligned} V_r &= \frac{P_0 - P_s}{\# \Gamma 1} \\ &= \frac{153 - 100}{1 \times 1} \\ &= \text{Rs}26.5 \end{aligned}$$

$$\begin{aligned} \text{Market price of stock after rights issue (Pe)} &= P_0 - V_r \\ &= \text{Rs.}153 - \text{Rs.}26.5 \\ &= \text{Rs.}126.5 \end{aligned}$$

ANNEX-E

Kumari Bank Ltd.

Correlation between share prices movements and general market movement.

Descriptive Statistics

	Mean	Std. Deviation	N
X	342.75	19.4143	4
Y	303.7	3.3148	4

Correlations

	X	Y
X		
Pearson Correlation	1	-0.127
Sig. (2-tailed)	.	0.873
N	4	4
Y		
Pearson Correlation	-0.13	1
Sig. (2-tailed)	0.87	.
N	4	4

Lumbini Bank Limited

Correlation between share prices movements and general market movement.

Descriptive Statistics

	Mean	Std. Deviation	N
X	172.75	6.5511	4
Y	392.103	5.6513	4

Correlations

	X	Y
X		
Pearson Correlation	1.000	0.622
Sig. (2-tailed)	.	0.378
N	4	4

Y		
Pearson Correlation	0.622	1.000
Sig. (2-tailed)	0.378	.
N	4	4

Machhapuchhre Bank Limited

Correlation between share prices movements and general market movement.

Descriptive Statistics

	Mean	Std. Deviation	N
X	358.5	50.2693	4
Y	376.505	10.3297	4

Correlations

	X	Y
--	---	---

X

Pearson Correlation	1	-0.229
Sig. (2-tailed)	.	0.771
N	4	4

Y

Pearson Correlation	-0.229	1
Sig. (2-tailed)	0.771	.
N	4	4

Nepal Investment Bank Ltd.

Correlation between share prices movements and general market movement

Descriptive Statistics

	Mean	Std. Deviation	N
X	1102.75	324.5154	4
Y	293.498	5.7265	4

Correlations

	X	Y
--	---	---

X

Pearson Correlation	1	0.208
Sig. (2-tailed)	.	0.792
N	4	4

Y

Pearson Correlation	0.208	1
Sig. (2-tailed)	0.792	.
N	4	4

Development Credit Bank Limited

Correlation between share prices movements and general market movement.

Descriptive Statistics

	Mean	Std. Deviation	N
X	299.75	45.9012	4
Y	299.04	5.3475	4

Correlations

	X	Y
--	---	---

X

Pearson Correlation	1	0.404
Sig. (2-tailed)	.	0.596
N	4	4

Y

Pearson Correlation	0.404	1
Sig. (2-tailed)	0.596	.
N	4	4

National Finance Ltd.(Bittiya Sanstha)

Correlation between share prices movements and general market movement

Descriptive Statistics

	Mean	Std. Deviation	N
X	349.75	28.7562	4
Y	249.25	21.705	4

Correlations

	X	Y
X		
Pearson Correlation	1	-0.899
Sig. (2-tailed)	.	0.101
N	4	4
Y		
Pearson Correlation	-0.899	1
Sig. (2-tailed)	0.101	.
N	4	4

Pokhara Finance Ltd.(Bittiya Sanstha)

Correlation between share prices movements and general market movement

Descriptive Statistics

	Mean	Std. Deviation	N
X	405	5.7735	4
Y	367.7475	20.4687	4

Correlations

	X	Y
X		
Pearson Correlation	1	0.417
Sig. (2-tailed)	.	0.583
N	4	4
Y		
Pearson Correlation	0.417	1
Sig. (2-tailed)	0.583	.
N	4	4

Kist Merchant Banking and Finance Ltd. (Bitty Sanstha)

Correlation between share prices movements and general market movement

Descriptive Statistics

	Mean	Std. Deviation	N
X	155.25	4.5	4
Y	374.3225	25.1807	4

Correlations

	X	Y
--	---	---

X

Pearson Correlation	1	0.246
Sig. (2-tailed)	.	0.754
N	4	4

Y

Pearson Correlation	0.246	1
Sig. (2-tailed)	0.754	.
N	4	4

ANNEX- F

QUESTIONNAIRES

I have been conducting a study on “*A STUDY ON RIGHT SHARE PRACTICE AND ITS IMPACT ON SSTOCK PRICE*”. This questionnaire has been developed and presented before you as a part of study. The issues raised in this questionnaire are related to my study.

I humbly request you to fill it up at the best of your knowledge. Your kind cooperation in this regard will be of immense value for me.

I shall be highly obliged for prompt responses as far as possible.

Thank you

Nim Prasad Adhikari
(Researcher)
Nepal Commerce Campus
Kathmandu

Respondent Details

Designation :
Academic Qualofication :
Profession :
Experience :
Name of the organization :
Age :
Sex :

Please answer the following questions with tick mark in appropriate space and as required by the questions.

Questions:

1) In your opinion, which sector's right share issue does investor prefer most?

- a) Banking / Financial Intuitions Sector ()
- b) Manufacturing / Trading Sector ()
- c) Hotel / Other Sector ()
- d) Insurance Sector ()

2) In your opinion, why investors are interested to purchase the right share?

- a) To increase the value of share ()
- b) To increase the number of share ()
- c) To increase the dividend ()
- d) To maintain the control power in management ()

3) In your opinion, what would be the shareholders does, if right share are transferable in Nepal?

- a) Sell the right ()
- b) Exercise the right ()
- c) Partially exercise or sell the right ()
- d) Neither sells nor exercises the right ()

4) In your opinion, who are the beneficiaries of the right share offering?

- a) Issuing Companies ()
- b) Share Holders ()
- c) Issue Managers ()
- d) Brokers ()

5) In your opinion, why do the Nepalese corporate firms prefer right shares instead of other public issuing?

- a) Low Flotation Cost ()
- b) Easy Process to Collection of Fund ()
- c) To Maintain Control Position in Management ()
- d) Other Causes ()

6) In your opinion, what is the major cause of under subscription of right share in Nepal?

- a) Low Performance of Related Company ()
- b) Non- transferable of Rights ()
- c) Lack of Investors Awareness ()
- d) Other Causes ()

7) In your opinion, Nepalese investors have the awareness about right share announcement?

- a) Well awareness ()
- b) Majority awareness ()
- c) Minority awareness ()
- d) Non- awareness ()

8) In your opinion, what problems are faced by the Nepalese investors for right share announcement?

- a) Non-transferable of Right ()
- b) Tax Problem ()
- c) Information System ()
- d) Legal Procedure ()

9) Do you think that legal provisions regarding the rights share issue in Nepal are sufficient?

- a) Sufficient ()
- b) Partial Improvement ()
- c) Partial Sufficient ()
- d) Insufficient ()

10) Do you think that there is sufficient infrastructure of Nepalese security market to increase the right share practice?

- a) Sufficient ()
- b) Improvement ()
- c) Upgrading ()
- d) Replaced ()